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FINANCIAL TIMES

Europe's Business Newspaper FRIDAY DECEMBER 2 1994 D8523A

London to open talks with Sinn Féin in five days

The British government is to begin talks with Sinn Féin, the IRA's political wing, in five days' time in a move which will start an important phase of the Northern Ireland peace process. The announcement, made in a letter to Sinn Féin president Gerry Adams from a senior government official, came three months to the day after the IRA's ceasefire. Page 16; Washington officials cautious, Page 8

Yeltsin issues second Chechnya warning: President Boris Yeltsin of Russia re-issued an ultimatum to the warring factions in Chechnya to stop fighting as Russian troops massed on the borders of the break-away Caucasian republic. Page 16

Chrysler to raise dividend: Chrysler, smallest of the three big US carmakers, bowed to pressure from its biggest shareholder as it announced plans to raise its dividend by 60 per cent. Page 16

Hanson ready to make acquisition: Hanson shares continued their recovery as the Anglo-US conglomerate reported a 26 per cent rise in annual operating profits to £1.23bn ($2.01bn) and said it was ready to make another big acquisition. Page 17; Lex, Page 16

Iberia pilots reject pay cut: Plans to salvage Iberia, Spain's loss-making national airline, were thrown into disarray when the company's pilots refused to accept pay cuts demanded by the management. Page 3

ABB takes stake in Chinese company: Swiss-Swedish power group Asea Brown Boveri has taken a 4.5 per cent stake in Harbin Power Equipment Company, a former Chinese state-owned enterprise which is in the process of listing in Hong Kong. Page 20

Gaullists drop elections plan: France's conservative coalition dropped a plan to hold US-style primary elections to choose a single rightwing presidential candidate. Page 2

CIBC profits surge: Canadian Imperial Bank of Commerce underlined the strong improvement in Canadian banks' performance by posting record net earnings of C$890m (US$647m), for fiscal 1994. Page 19

Chemical Banking to cut costs: Chemical Banking, the US's fourth biggest banking group, announced a range of cost-cutting and other measures, including 3,700 job losses, intended to lift its profitability closer to rivals' levels. Page 17

Telefónica to reorganise: Deregulation of the telecommunications sector has prompted Telefónica, Spain's government-controlled operator, into a reorganisation that will divide the group into eight specialised companies. Page 17

BBC World Service cuts government link: BBC World Service has won managerial independence from the UK government and will, in future, decide for itself in what languages to broadcast and for how many hours. Page 8

Five bids for Dutch telecoms licence: Five international consortia submitted bids to set up a second Dutch mobile communications network to compete with the one established by KPN, the country's partially privatised telecommunications operator. Page 2

West German output beats forecasts: West German industrial output rose 1.6 per cent in October according to preliminary, seasonally adjusted data. The renewed advance took year-on-year growth to 5.1 per cent, above many economists' forecasts. Page 3

£280m restructuring charge for GrandMet: Drinks and food group Grand Metropolitan unveiled details of its second large restructuring charge in two years, costing £280m ($459m) and 2,600 jobs. Page 17; Lex, Page 16

Hewlett-Packard cuts prices: US electronics manufacturer Hewlett-Packard said it would cut the price of some of its desktop personal computers by up to 26 per cent and claimed it would undercut rivals Compaq and IBM by as much as 40 per cent for comparable machines. Page 19

PDS leaders in tax row start hunger strike: Leaders of east Germany's reformed communists, the Party of Democratic Socialism, went on hunger strike in protest against plans by the Berlin tax authorities to seize property in part payment for alleged outstanding taxes. Page 2

Woman guerrilla freed: Irmgard Moeller, a former Red Army Faction guerrilla and Germany's longest serving woman prisoner, was freed after 22 years in jail. She was sentenced to life for a bomb attack on US army headquarters in Heidelberg in which three soldiers died.

■ STOCK MARKET INDICES

FT-SE 100:	3,038.6	(-41.8)
Yield	4.05	
FT-SE Eurotrack 100	1,344.45	(+2.50)
FT-SE-A All-Share	1,511.21	(-1.1%)
Nikkei	19,013.69	(-62.02)
New York lunchtime:		
Dow Jones Ind Ave	3,714.67	(-24.56)
S&P Composite	450.69	(-2.80)

■ US LUNCHTIME RATES

Federal Funds:	5½%
3-mo Treas Bills: Yld	5.697%
Long Bond	94¼
Yield	8.02%

■ LONDON MONEY

3-mo Interbank	6⅛%	(6¼%)
Life long gilt future:	Mar 102¼	(Mar 102⅔)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.1	(17.04)

■ GOLD

New York Comex (Feb)	$382.3	(384.5)
London	$380.8	(383.0)

■ STERLING

New York lunchtime:		
$	1.566	
London:		
$	1.5672	(1.5652)
DM	2.4639	(2.4578)
FFr	8.4476	(8.4299)
SFr	2.0836	(2.0793)
Y	155.686	(154.872)
£ Index	80.4	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.5765	
FFr	5.39825	
SFr	1.33	
Y	98.375	
London:		
DM	1.5722	(1.5703)
FFr	5.3860	(5.386)
SFr	1.3295	(1.3285)
Y	98.34	(98.95)
$ Index	83.8	(same)

Tokyo close Y 98.01

Austria	Sch27	Greece	Dr250	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	[illegible]	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv80.00	Iceland	IKr215	Neth	Fl 4.75	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	S. Africa	R12.00
Czech Rp.	CZK50	Israel	Shk6.96	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr30	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 36,000	Tunisia	Din1.500
France	FFr8.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Esc275	UAE	Dh12.00

Berlusconi bows to unions over reform of pensions

By Robert Graham in Rome

The Italian government yesterday averted a damaging general strike due today by making concessions to the country's trade unions over pension reform and cuts in welfare payments.

Mr Silvio Berlusconi, the prime minister, insisted that the concessions did not alter the overall aim of the 1995 budget to find an extra L50,000bn ($4.58bn) in spending cuts and fresh revenues.

The agreement will now ensure the approval of the 1995 budget in parliament, but it has underlined the weaknesses of Mr Berlusconi's coalition and does nothing to remove the threat of the Northern League, his most troublesome partner, leaving the government.

The financial markets reacted cautiously but positively, with the lira strengthening against the D-Mark to L1,027 against Wednesday's L1,029. Analysts said the markets were relieved that the destabilising consequences of a confrontation between government and the unions had been headed off. But they reserved judgment until the government detailed how it would cover the L4,000bn cost of the deal with the unions.

The agreement was reached against the threat of an eight-hour general strike in a marathon 22-hour negotiating session that ended early morning. "We have ended the war over the pensions," Mr Berlusconi told a news conference. "No one has won. It has been a victory for the country and for good sense."

Mr Sergio Cofferati, leader of the CGIL, the largest of the three trades

Game player of the right ....Page 14

union confederations, said: "This gives an important signal to the country that we can tackle priority problems in a co-operative spirit."

Cuts in Italy's costly state pension system were integral to the money-saving measures proposed in the 1995 budget.

The unions had carried out a four-hour general strike on October 14 and on November 12 mobilised 1.5m people at a protest in Rome against the cuts. The unions argued that pension reform had to be considered more carefully and not directly linked to next year's budget.

The government refused to accept that argument, afraid the budget would be diluted and pension reform postponed. However, the populist Northern League had increasingly sided with the unions against its rightwing coalition partners, and the government faced a tough battle in the senate where it lacked a clear majority.

Mr Berlusconi agreed yesterday to allow up to June for the preparation of pension reform and made the unions leading partners in the discussions. Proposals penalising early retirement and cutting the rate at which pensions entitlements accrue are dropped. In return, the unions have agreed to a freeze on new people eligible to start taking up their pension entitlements actually doing so until June.

The rightwing coalition further took on board union requests to earmark more funds to boost employment in the south, raise investment in research and development and training, and provide more help for low-income families.

Moscow blocks inauguration of military co-operation programme

Russia warns Nato on eastern expansion

By Bruce Clark in Brussels and Laura Silber in Belgrade

Mr Andrei Kozyrev, the Russian foreign minister, last night warned the Nato alliance not to draw new dividing lines in Europe by expanding eastwards too rapidly.

In protest at the expansion plans, Russia unexpectedly refused to hand over a document which would have launched a military co-operation programme with Nato. The move shocked western officials, who had seen the agreement as a symbol of improving relations between Moscow and the West.

Mr Kozyrev still hoped to launch the co-operation programme, which includes military information-sharing and joint exercises, but insisted it would only happen when Russia had answers to its fears about the rapid expansion of Nato.

Mr Kozyrev's comments came after a meeting of Nato foreign ministers, which had broadly accepted a US proposal to speed up enlargement to include ex-communist countries in central and eastern Europe.

The foreign ministers' meeting took place in the shadow of a bitter transatlantic row over Bosnia, a dispute highlighted yesterday by a leak to the German press of a telegram from Baron Hermann von Richthofen, the country's ambassador to Nato.

The telegram, intended for the German foreign ministry, was written last week, just before the latest row between the US and its European allies. It warned that the possible lifting of the Bosnian arms embargo, sought by the US Congress, would "bring the cohesion of the alliance to its limits".

It also emerged yesterday that Nato's military command had asked Germany if it could provide Tornado fighters to help police the skies over Bosnia. German officials said the request, controversial because of the Nazi record in the Balkans, would have to be considered cautiously.

In an attempt to revive the Bosnian peace process, Mr Douglas Hurd, the British foreign secretary, and Mr Alain Juppé, his French counterpart, will go to Belgrade on Sunday to meet President Slobodan Milosevic of Serbia.

'Cracks are appearing in the alliance' ....Page 3

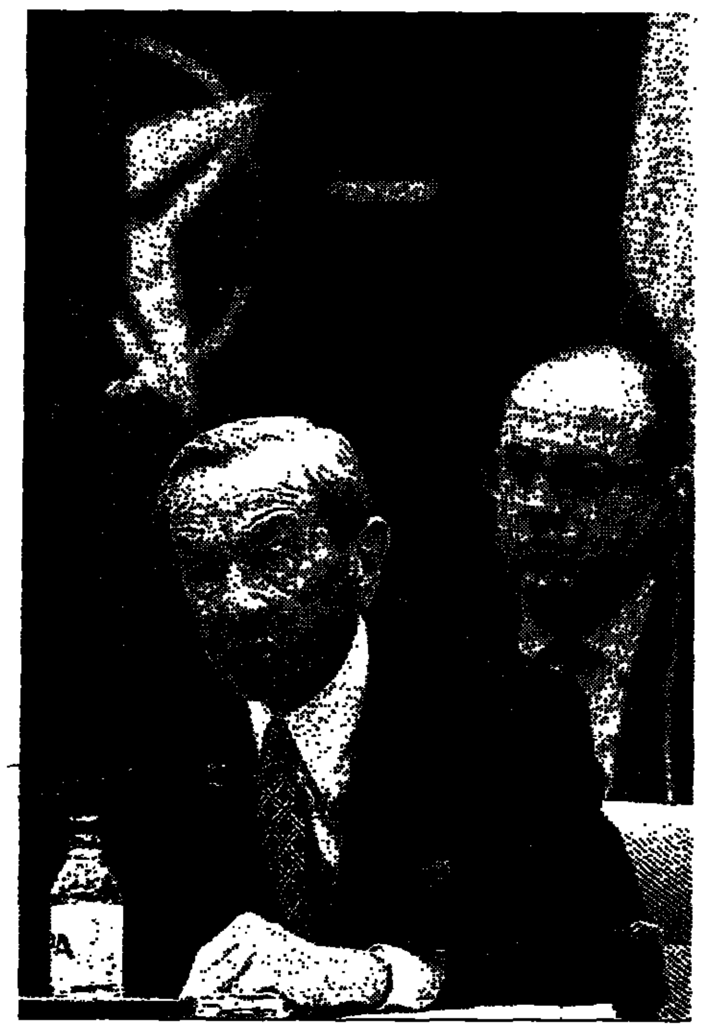
After snubbing Mr Boutros Boutros Ghali, the UN secretary-general, on Wednesday, Mr Radovan Karadzic, the Bosnian Serb leader, is scheduled today to meet Mr Yasushi Akashi, the UN special envoy, in Pale, the Serb-held stronghold above Sarajevo.

Today, foreign ministers from Britain, France, Germany, the US and Russia – making up the contact group on Bosnia – will meet in Brussels to relaunch the peace initiative begun in the summer.

Despite the intense diplomatic efforts, UN officials privately fear prospects for peace are slim.

The Nato ministers agreed that the 16 existing members would hammer out procedures for incorporating newcomers, and present conclusions to candidate members, next year.

Russian officials have repeatedly warned against the incorporation of Poland, Hungary, the Czech Republic and Slovakia – widely seen as the prime candidates for Nato membership – if Russia is excluded from this process.



Picture: Reuter

US secretary of state Warren Christopher at the meeting of Nato foreign ministers in Brussels yesterday

Clinton pledges additional $25bn for US military

By George Graham in Washington

US president Bill Clinton yesterday announced a boost in defence spending intended to maintain the readiness of the US armed forces.

Mr Clinton promised an additional $25bn in defence spending over the next six years for US forces to ensure they "remain the best-trained, best-equipped fighting force in the world". The budget for the year beginning in October was $264bn.

In addition, Mr Clinton promised to seek the fullest pay rise allowed by law for the armed forces until the turn of the century, and to "spend what is required" on programmes such as housing and childcare to improve the quality of life of the military and their dependants.

"Our number one commitment is to the readiness and welfare of our armed forces," Mr Clinton said.

Mr Clinton's appearance in the Rose Garden of the White House yesterday to announce the plan represented a pre-emptive strike against the Republicans, who take control of Congress next month.

Several senior Republicans have criticised the administration for creating a "hollow force" through excessive defence cuts. The administration's current defence budget plan provides for a cut of roughly 11 per cent in real, inflation-adjusted terms over the next five years.

But there has been a gap between that plan and the money projected to be necessary to fulfil the administration's strategic goal of being able to fight two nearly simultaneous regional wars. This is largely because Congress ordered a pay increase for the armed forces last year when the administration had expected to include the armed forces in a pay freeze for all government employees.

Although Mr William Perry, defence secretary, has repeatedly insisted his top priority is preserving the readiness of the armed forces, the Pentagon's budgeting is stretched so thin that additional costs such as emergency operations this year in Haiti, Kuwait and the Adriatic have eaten into normal training budgets.

When Congress delayed passing a supplementary budget request for money to pay for the US force which returned ousted president Jean-Bertrand Aristide to Haiti, the readiness of two divisions dropped to a level where they could not be considered immediately available for action.

Mr Clinton said yesterday he would submit another supplementary appropriation request to Congress with the overall budget early next year. He urged members to pass it quickly.

Fears have also been voiced about the decline in spending on new weapons systems, which has fallen much more rapidly than the overall defence budget.

VW and Ford to dissolve Latin American partnership

By Patrick McCurry in São Paulo and Kevin Done in London

Volkswagen and Ford are to break up their partnership in Autolatina, Latin America's biggest carmaker and one of the biggest joint ventures in the world motor industry.

The two companies announced yesterday they had agreed on "a gradual separation process leading toward dissolution" within a year of Autolatina in Brazil and Argentina.

The venture, formed in 1987, is owned 51 per cent by Volkswagen of Germany, Europe's biggest carmaker, and 49 per cent by Ford of the US, the world's second largest vehicle maker.

Mr Wayne Booker, executive vice-president for Ford's international automotive operations, said Ford believed it would "be better able to compete effectively in these two markets by operating on its own".

In the second half of the 1980s "difficult market and economic conditions" had made the co-operation a good strategy, but conditions were now "significantly different in both countries", he said.

Autolatina Brasil was the country's largest private sector company last year with sales of $7.2bn and production of 612,000 vehicles.

The separation had been expected for some time. In August Autolatina Brasil, which has 47,000 workers in Brazil, said it would no longer launch new hybrid models built on shared production platforms, but instead use the world platforms supplied by the parent companies.

Up to speed again ....Page 15

The decision was partly triggered by pressure from VW car dealers, reluctant to turn over the platform for the new model of Brazil's best-selling Gol car to Ford, and by a realisation that consumer brand awareness was suffering.

The companies had been concerned that Autolatina's structure was curbing their growth in Brazil's booming car market.

Since 1990, Ford's market share has slumped from 18.8 to 12 per cent while VW is down from 37.4 to 33.6 per cent. During the same period, Fiat's subsidiary has nearly doubled market share to 26.2 per cent.

Autolatina executives say the dissolution of the company is due to Brazil's move from a closed economy to an increasingly open one as well as the increased globalisation of the car industry.

Gradual opening of the economy since 1990 has led to growing competition from imports. Lower prices sparked by falling taxes and higher productivity have helped boost Brazilian vehicle production from 1.07m vehicles in 1992 to an estimated 1.6m this year.

Since VW and Ford jointly operate seven plants in Brazil, disentangling the two carmakers from Autolatina is likely to be a complicated process.

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Gaullists abandon idea of primaries

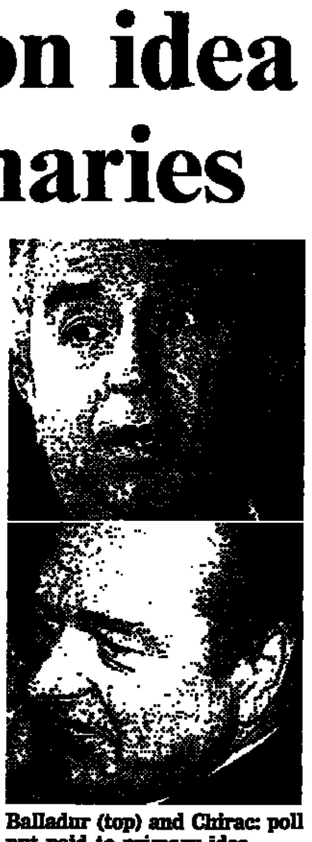
By David Buchan in Paris

France's conservative coalition yesterday buried the idea of holding US-style primary elections to choose a single rightwing presidential candidate.

Representatives of the RPR Gaullists and the centre-right UDF federation yesterday pronounced primaries "impossible" and said a victory for the right next year would depend on rival conservatives having "the will" to rally together in time for the final round of voting on May 7.

The possibility of the French right reaching across the Atlantic for a device to settle their differences always seemed a long shot, though the RPR-UDF agreement in 1991 that called for staggered, regional primary elections ending at least three months before the presidential vote was modelled on US lines. The first round of voting in France constitutes a kind of a primary, in that only two candidates go to the final vote and they are usually of the right and of the left; but the bare fortnight between the two votes gives no time for party wounds to heal.

The primaries idea mainly failed because by the time it started to get serious consideration this autumn – as Mr Jacques Delors, the European Commission president and possible socialist presidential contender, began to profit in the opinion polls from the rivalry of gaullists Mr Jacques Chirac and Prime Minister Edouard Balladur – the same opinion polls showed that Mr Chirac would lose to Mr Balladur in primaries.



Balladur (top) and Chirac: poll put paid to primary idea

With primaries therefore seen as a partisan device by Balladur supporters to squeeze Mr Chirac out of the race, their formal demise yesterday was greeted with relief by the Chirac camp and some irritation by the prime minister's supporters. But the prime minister clearly intends to play on the fact that – unlike Mr Chirac – he has wide support within his UDF coalition partnership. "A unity candidacy remains as necessary as ever," he said yesterday, though he does not intend to go public with his Elysée campaign until early January.

Five groups bid for Dutch mobile phone licence

By Ronald van de Krol in Amsterdam

Five international consortiums submitted bids yesterday to set up a second Dutch mobile communications network to compete with the one established by KPN, the country's partially privatised telecommunications operator.

The government will decide by April 1 which of the competing consortia – grouped around the Netherlands' three biggest banks, Deutsche Telekom of Germany and Telecom Finland – will win the right to challenge KPN's monopoly in providing pan-European GSM (global system of mobile communications) services.

The long-awaited second licence is designed to inject competition in mobile communications in the Netherlands, which until recently had lagged behind its European neighbours in embracing the new digital standard.

It is also seen as a dress rehearsal for next year, when the government hopes to issue a licence to the country's electricity companies, other utilities and Dutch Rail, the state-owned railway, to start building a fixed telecommunications infrastructure. This proposed domestic rival to KPN, which will initially be restricted to offering data communication services to business customers, is widely expected to seek a partnership with a foreign telecommunications group.

The deadline for submitting GSM business plans of up to 500 pages was yesterday afternoon. The public works ministry declined to identify the bidders by name, but industry sources identified the consortium leaders as ABN Amro Bank, ING Bank, Rabobank, Deutsche Telekom and Southwestern Bell.

ABN Amro's partners include Cable & Wireless of the UK, while ING's main partner is Britain's Vodafone. Rabobank's consortium consists, among others, of Schiphol Airport and Getronics, the Dutch computer services company.

Deutsche Telekom's partners in the "GSM Nederland NV" consortium include the newspaper group De Telegraaf and RCC, the Netherlands' former national computer centre. Telecom Finland has teamed up with Visa Nederland.

The winning consortium will have to scramble to catch up with KPN, which launched its GSM network on July 1 and which has already signed up more than 50,000 subscribers.

The "GSM Nederland" consortium has previously said it could have its network up and running within three months, suggesting that KPN could start to face competition from mid-1995. KPN has already invested more than Fl 500m (£183m) in building its network, with future investments expected to take the total cost of its network to Fl 1.2bn.

Despite the head start given to KPN, the second GSM operator is virtually certain to benefit from high profit margins in the early years of its licence.

PDS goes on hunger strike in tax row

By Judy Dempsey in Berlin

Leaders of east Germany's reformed communists, the Party of Democratic Socialism, have gone on hunger strike in protest against plans by the Berlin tax authorities to seize their property in part payment for alleged outstanding taxes.

PDS leaders claim the action by the tax authorities is a politically orchestrated attempt to force the party into bankruptcy. In city elections next year the PDS is expected to win several seats in the east of the city.

"We will keep up the strike until this claim is dropped," said Mr Gregor Gysi, parliamentary leader of the PDS and one of seven PDS members who are on hunger strike in Berlin's state parliament. The party won 30 parliamentary seats in last month's federal election, and 4.4 per cent of the federal vote.

The tax authorities are claiming that the PDS owes DM67m (£27.3m) in property tax due for the first six months of 1990. But Mr Gysi said the authorities had a poor legal case for claiming that tax since two separate Germanies existed at that time.

He added: "The authorities have never asked the other east German political parties to pay tax for this period. This is an attempt to politically kill us by making us bankrupt."

The other parties, which had been sanctioned by east Germany's communist party were merged with west Germany's Christian Democratic Union (CDU), led by Chancellor Helmut Kohl, and the Free Democrats, the junior partner in the governing coalition.

Their property, like that of the PDS, is held in trust by the Treuhand privatisation agency, while separately an independent commission is assessing who has the legal right to inherit any of these properties.

The tax office, which is headed by Mr Elmar Pieroth, the CDU senator responsible for Berlin's finances, said it would seize the PDS's property if the party did not pay. Most of the PDS's property had belonged to east Germany's former communist party.

However, the legality of such an action was last month challenged by a Berlin court, which, by way of a compromise, proposed that the PDS hand over as a guarantee to the tax authorities the DM6.6m due to the party from the federal state for expenses incurred during the recent election campaign.

But Mr Lothar Bisky, chairman of the PDS who is also on hunger strike, yesterday said if the party was forced to part with the DM6.6m, it would face bankruptcy, "which is exactly what some of the political parties want," he said. The PDS has outstanding debts of over DM5.5m, of which DM2m is owed to east German enterprise managers and supporters who helped finance the PDS's election campaign.

Emma Tucker on the European Commission investigation of price-fixing

How the cement cartel came unstuck

The fat file sitting on European commissioner Karel Van Miert's desk is, he says, as good a read in places as a *roman policier*.

Unfortunately for the curious, Mr Van Miert is not publishing his file but he could probably be forgiven the hyperbole given that it took three of the Commission's staff against "an army of lawyers" five years to come up with its contents.

The file's contents relate to the alleged illegal manoeuvrings of 33 European cement producers, plus one international cement association and eight national ones that over a period of 10 years colluded to rig Europe's cement market.

On Wednesday, a triumphant Mr Van Miert, competition commissioner, announced the imposition of record fines totalling Ecu248m (£193m) on the producers but warned that industry was getting better and better at hiding evidence of collusive behaviour.

"There are still cartels in some sectors and they will do anything they can to avoid us finding any evidence," he said.

The chairman of one leading cement producer is alleged to have said at the end of a collusive get-together that no minutes of the meeting would be "necessary". The participants were, however, not careful enough. A series of raids on the headquarters of all the leading EU cement companies towards the beginning of the investigation produced enough evidence to satisfy the Commission that a powerful cartel was operating.

Van Miert: uncompromising in fight against cartels

It alleges that the European Cement Association – Cembureau – established what was known as the "Cembureau agreement or principle of not transhipping to internal European markets".

Through the exchange of information on prices the principle allowed producers to reduce price differences between countries so as to remove any temptation to export and to get those producers who did export to align their prices with those of local producers.

In effect, the system allowed the producers to maintain artificial frontiers on the basis of domestic markets. As Mr Van Miert said yesterday: "If a German business wanted to buy cement from a French producer, just 20km inside the frontier, it was not allowed to do so."

Conclusions to one Cembureau meeting on intra-community trade said: "Pressure from inter-member trade had slackened considerably through improved bilateral contacts. Exports had tended to shrink, but there was still a threat from outsiders".

According to the Commission, exchanges of notes between French and Italian producers, for instance, reveal their decision to share the Côte d'Azur market. And at several meetings, the Portuguese and Spanish producers, represented by their associations, monitored cement exports between the two countries so as to ensure that markets were shared.

One note from a meeting between the Spanish and Portuguese stated that: "The parties present, who may be regarded as the representatives of Spanish and Portuguese cement producers, expressed their clear support for the principle that there should be no cement movements from Spain to Portugal or from Portugal to Spain."

In 1986, after the loss of key Middle East markets, Greek producers started to threaten other markets with cheap exports. Cembureau reacted swiftly. It set up a joint trading company, called Intercimint, to absorb Greek cement and prevent it from being exported to other markets.

Using heavy-arm tactics the Italian cement producers also took action, ensuring that a big contract between an Italian buyer and Greek suppliers was broken. Meanwhile, other European cement producers ended contracts with Greek producers to curb exports.

These practices continued right up until last year, according to the Commission. The companies – most of which are appealing – have three months to pay fines that in some cases amount to 4 per cent of their annual turnover in cement.

The Commission hopes its action will introduce competition into Europe's cement market. It has pointed out that cement can be supplied profitably even over long distances.

"Cement supplies are possible from Germany and Spain to the UK and Ireland, while Italian producers are able to cross the Alps and supply cement in Switzerland," it said yesterday.

The relevant market is therefore Europe, it concluded. "If the markets were sealed off by distance, there would be no reason for the behaviour of the firms as described in the infringement."

An industry prone to price-fixing and cartels

Why cement? Andrew Taylor points to high costs and a low value product in a cyclical industry

The record fines announced on Wednesday by the European Commission on 33 cement companies for operating an illegal cartel are not the first penalties European cement manufacturers have had imposed on them for allegedly trying to fix their markets.

The German Cartel Office in 1989 announced fines totalling DM244m (£100m) against domestic manufacturers accused of operating a price-fixing ring. In July 1992 the Italian anti-trust authority fined cement producers L5bn (£2m) in the so-called Procal cartel in southern Italy.

Not all cartels have been illegal. A 50-year-old legal common pricing agreement in Britain was ended by manufacturers in 1987. Another legal cement cartel in Switzerland established since 1911 is to be dismantled at the end of this year.

It will be replaced by a transport pooling arrangement to ensure that at least 51 per cent of cement is transported by rail to protect the environment. Rail traffic will be subsidised by a voluntary duty imposed on cement carried on roads.

In most cases however, such agreements are illegal.

What is it that makes cement manufacturers so prone to operating market sharing and price-fixing cartels?

The huge capital investment required to build a modern cement works – a medium-sized plant costs about £100m – means that national markets increasingly have become dominated by a small number of large companies.

Cement is a relatively low value product, sold to a highly cyclical construction industry,

> An upsurge in cross-border business is not expected

making it even more tempting for producers to try to ensure price stability by making clandestine agreements.

Annual cement sales in the European Union, according to the European Cement Association (Cembureau), rose by 22 per cent during the five years between 1985 and 1990 only to fall by a tenth over the next three years.

Attempts to sell cement across borders to offset big falls in domestic demand nonetheless have remained few. Imports as a proportion of total EU consumption have risen only from 5.8 per cent to 12.7 per cent between 1987 and 1993, according to Cembureau.

"Companies may be reluctant to sell substantial surplus volume in neighbouring countries as it could provoke retaliation and lead to a devastating regional price war," says Mr Lawrence Amboldt, construction analyst with MP London Wall Equities.

For this reason few observers expect to see a dramatic change in the way in which large European cement producers operate in spite of the Commission's verdict. "There may be some narrowing of price differentials between markets but I do not expect to see a great upsurge in cross border trade," says Mr Amboldt.

According to London Wall, seven large suppliers account for about half total European sales, excluding Turkey, the Commonwealth of Independent States (CIS), Albania and former Yugoslavia.

The largest European supplier is Italcementi of Italy, although Holderbank of Switzerland is bigger worldwide. Italcementi, which has a European market share of more than 11 per cent, also has a controlling interest in Ciments Français, the second-largest French producer.

Other members of the big seven are: Heidelberger of Germany, which has a controlling interest in CBR, the largest Belgian producer, and has about 10 per cent of the European market; Holderbank with almost 9 per cent; Lafarge Coppee the largest French producer, almost 8 per cent; Blue Circle of Britain, 4 per cent; Dyckerhoff of Germany, 4 per cent; and Euroc/Aker a Scandinavian joint venture with 3.5 per cent.

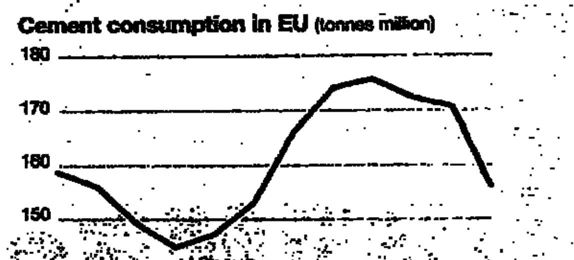
Many of these companies control subsidiaries based in other EU markets but in most cases these make very modest cross-border sales.

Concentration of power is even greater in individual markets. Three companies, Blue Circle, Rugby and Castle, supply over 90 per cent of cement sold in Britain while four companies, Lafarge, Ciments Français, Vicat and Holderbank supply over 90 per cent of the French market.

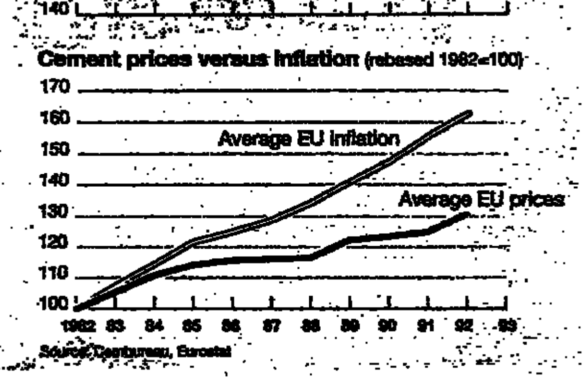
The biggest threat to the large European producers comes from eastern European countries, such as Poland, which under communist rule established large cement manufacturing capacity now searching for foreign currency alternative markets to sell surplus production.

Manufacturers in response have sought to gain control of eastern European producers as these have been privatised. "Between them Holderbank, Heidelberger/CBR, Lafarge and Italcementi/Ciments Français effectively have bought up the cement industry in the Czech Republic," says Mr Amboldt.

Cement consumption in EU (tonnes million)



Cement prices versus inflation (rebased 1982=100)



Source: Cembureau, Eurostat

The men who invest in Soviet dinosaurs

Matthew Kaminski meets the buccaneers of Ukraine's richly endowed Donbass region

John Hughes, a Welsh blacksmith, opened the first big steel plant in Donetsk, then called Yuzovka, in 1872. More than a century later, amid rusting Soviet industrial giants, the entrepreneurial spirit is alive again in the heart of Ukraine's Donbass region.

White Mercedes Benz cars, covered in a thin film of black dust from 50 coal mines, career down grey, muddy streets. Smartly dressed young men stand out among the pensioners.

The explanation for this sharp contrast is that, although it was hard hit by the Soviet Union's collapse, there are many ways to make money in the Donbass.

It is estimated that a quarter of Ukraine's economic potential lies with the Donbass's steel mills, coal pits, farms, sea ports, factories and coal, manganese and iron ore deposits – all that prompted Dmitry Medeleyev, the Russian scientist famous for the periodic table, to marvel at its "inexhaustible richness".

"It's a rough diamond, uncut, unpolished," says Mr Fredric Kerulis, a US mining engineer who has worked with western investors in Donetsk for two years. He notes that both small traders and large companies, such as General Electric, are keenly interested.

Yet the local business elite is the driving force behind economic and political change in eastern Ukraine.

The summer elections brought into the governor's seat Donetsk's retail shop magnate, Mr Volodymyr Sherban, a 41-year-old with no Communist party background whose electoral success was matched by other young progressives gaining the mayor's office in Mariupol, the Donbass's leading port, and in neighbouring Lugansk.

Mr Sherban's goal is to bring in private capital, rebuild industry and commerce, and develop metal, raw material and coal exchanges. Last week he hosted Israeli juice producers who, with emigre ties to the area, want to set up a joint venture in the region. "I'm temporarily governor," Mr Sherban says, "but forever in business."

"We support whatever works," says Mr Oleg Rybak, the mayor, citing special land auctions for filling stations, hotels and shops contracts open to foreign companies.

The plans are in infancy. The World Bank and the UK consultancy Bain & Company also worry that privatisation is stalled, although progress is visible on small-scale enterprises.

The climate, at least, has changed. African and European traders invariably follow steel, but direct investment by former Soviet, Middle East, east European and west European partners is picking up after a drop off during last winter's economic chaos in Ukraine.

The popular Mr Rybak, an unassuming former apparatchik who does not belong to any party, keeps an open door. At his sparse office last week guests included the city's favourite son, Mr Sergei Bubka, the pole vaulter and now local entrepreneur.

"I divide my time between Monte Carlo, Berlin and Donetsk," says Mr Bubka, who has opened a sports club, several shops and a slot machine business in his home town. Once dutifully criticising capitalism in US television interviews, Mr Bubka says: "We survive in a different way now: everyone buys and sells everything."

Mr Aleksander Mahmudov typifies this diversity. A stocky middle-aged engineer, he was mayor before starting, with two partners and little capital, a financial concern in 1991.

Dikon Invest, now publicly owned with 48 offices in Ukraine, Russia and Bulgaria, works in securities, banking, insurance and pension funds. With a sixth share issue coming up, Dikon in 1993 paid dividends of up to 30,000 per cent, albeit skewed by hyperinflation.

But rarely for Ukraine, where financial groups mostly shuffle hard currency for short-term gain, the bulk of Dikon's business is with the large enterprises prominent in the Donbass that are considered white elephants by most experts.

"Our motto is: take advantage of the negatives," Mr Mahmudov proclaims, between answering his portable or satellite phones in an office cluttered with western gadgets.

The Dikon portfolio includes stakes in 20 companies with more than 35,000 employees – such as Nord, Ukraine's famed refrigerator concern that this week opened a plant in Jordan, and Azovmash, a machine-building giant in Mariupol. Despite stuttering nationwide privatisation, Dikon also drew up plans to first corporatise, and soon after privatise, the Soviet dinosaurs.

"When we see large enterprises need financial help," Mr Mahmudov said, "we invest in them to keep them afloat."

The optimists hope Donbass mirrors the post-war fate of Germany's Ruhr region or Pittsburgh in the 1980s: an industrial swathe restructured, then revitalised. "In the west it took 15 years," Mr Mahmudov said. "There are energetic people here, but in Donetsk, it'll take longer."

Outside capital is desperately needed to rebuild inefficient and subsidised industries and mines.

Gas de France last week explored coal mines to consider a venture to trap and sell methane gas, a resource currently wasted. But such visits are rare.

Even compared with Russia, Mr Kerulis said, Ukraine's Donbass looks risky. Companies fear the government's "moving target" tax policies and the mob. Just across the border from Rostov, an organised crime centre, Donetsk sees more than a share of grenade attacks, car burning, and murder.

Politics is a hurdle, too. Donetsk is a communist stronghold with a large constituency in miners and pensioners, underpaid and unhappy.

Miners' strikes scuttled government plans to cut subsidies. Last week a walkout was called off when Kiev raised wages. But a showdown is imminent: Ukraine's efforts to shape up mining are central to new-found respect for fiscal austerity but the government may be ill prepared to face the social unrest and economic consequences of mass strikes.

The other, but exaggerated, threat to stability lies with deep nostalgia for the Soviet Union among the region's almost exclusively Russian speakers. Nationalists also worry about the local elite's strong CIS-Moscow orientation.

The Donbass is now very strong in Kiev. President Leonid Kuchma is an eastern industrialist. His strong ally Mr Sherban, also an MP, chairs the parliament's budget committee with wide power over purse strings and investment contracts.

The east no longer seems Ukraine's weak spot. Quite the opposite, the Donbass is at the vanguard of change. Bread prices this month were freed first in Donetsk – and the region's efforts at improving ties with Russia, Mr Rybak says, are not an attempt at separatism but greater autonomy spreading across the country.

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EUROPEAN NEWS DIGEST

Iberia's pilots reject pay cut

Plans to salvage Iberia, Spain's loss-making national airline, were thrown into disarray yesterday when the company's pilots refused to accept pay cuts demanded by the management. Iberia's chairman Mr Javier Salas said the decision by Sepla – the union representing the carrier's 1,100 pilots – after all-night negotiations, was "profoundly depressing" and threatened to jeopardise the company's future.

After a 24-hour wildcat strike on Monday that closed domestic airports, unions representing cabin crews and ground staff agreed to salary reductions averaging 8 per cent in place of the 15 per cent originally sought. The pilots, who held separate talks with the management, balked when they were asked to carry the main burden of the cost-cutting measures with salary reductions of up to 20 per cent. Mr Salas, who plans to meet ground staff unions again today, said the breakdown of negotiations with the pilots meant that the company could be forced to sellbusiness units and subsidiaries in order to avert bankruptcy. *Tom Burns, Madrid*

Greece leads EU food stakes

Greeks spend more on food, drink and tobacco than anyone else in the European Union, according to Eurostat, the EU's statistical office. The French, reputedly connoisseurs of food and drink, actually spend less on these pleasures than the British. And the Irish spend more than other Europeans on having fun.

Eurostat says spending on food, beverages and tobacco fell to 19.1 per cent of total EU household consumption in 1992 from 20.8 per cent during the late 1980s. The Greeks spent 36.7 per cent, followed by the Irish on 34.8 per cent, the Portuguese on 33.6 per cent and the British on 21.6 per cent. The French spent 18.6 per cent – lower than the EU average. The Dutch spent less than anyone else in the Union: 14.9 per cent. As far as recreation, entertainment, education and culture are concerned, the Irish expended 12.1 per cent of household consumption. The British, Danes and Dutch all spent about 10 per cent. Luxembourg spent least at 4.1 per cent. Household consumption as a proportion of gross domestic product has fallen markedly in Germany. In 1992 it stood at 53.8 per cent, compared with pre-unification levels of over 60 per cent. *Michael Skapinker, Leisure Industries Correspondent*

Polish state sell-off advances

Poland's long delayed mass privatisation programme took a significant step forward yesterday when Mr Waldemar Pawlak, the prime minister and Peasant party leader, approved the board members for 15 investment funds. The funds are to be handed equity in 444 state companies due to be privatised under the plan. Shares in the funds, which are to be run by mixed foreign and local managers, are to distributed to the population at a nominal fee. The European Bank for Reconstruction and Development recently allocated $54m worth of loans to the programme to cover the funds' initial costs.

Mr Pawlak has misgivings about the scheme which he thinks gives too great a role to foreign managers, and long delays in approving successive steps in the programme have served to demonstrate his doubts. These are not shared by the former communist SLD party, the other member of the governing coalition. The latest decision means the funds can now be formally registered and that talks with 19 shortlisted fund managers can start in January. *Christopher Bobinski, Warsaw*

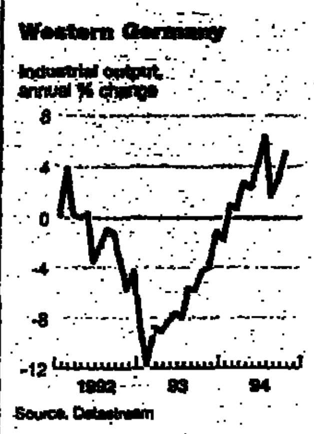
Russia urged to free detainees

A UN investigator yesterday urged Russia to release 71,000 people awaiting trial in what he called inhuman and overcrowded conditions. Mr Nigel Rodley, UN special rapporteur on torture, said many of the detainees were young, first-time, non-violent offenders swept up in a "law and order" campaign to clear the streets. Mr Rodley, who has visited "infernal" detention centres in Moscow and St Petersburg, said that while the 160 remand centres in Russia had an official capacity of 167,000, about 238,000 were crammed into squalid, inhuman cells.

"The special rapporteur appeals to the government of the Russian Federation to remove from confinement in centres of detention on remand all 71,000 detained in excess of the officially proclaimed capacity of existing institutions," he said in his his report to the UN Commission on Human Rights. Some detainees were petty criminals as young as 14, Mr Rodley said. *Reuter, Geneva*

ECONOMIC WATCH

Industrial output tops forecasts



West German industrial output rose 1.6 per cent in October according to preliminary, seasonally adjusted data. The renewed advance took year-on-year growth to 5.1 per cent, above many economists' forecasts. According to latest predictions from the authoritative Ifo institute, industrial production in the region will grow by 5 per cent next year. A new study predicts lively recovery after 4 per cent output growth this year. Machinery-makers should see output rise 9 per cent after 3 per cent this year as domestic demand picks up to complement export sales which have led the recovery. Passenger car output is forecast to rise 7 per cent after 8 per cent this year. Production of commercial vehicles, up 6 per cent this year, is expected to expand 12 per cent in 1995. *Christopher Parkes, Frankfurt*

■ Denmark's seasonally adjusted unemployment rate fell to 11.4 per cent in October from 11.7 per cent in September and from 12.4 per cent in October last year.

■ Norway's registered unemployment fell to 4.4 per cent in November from 4.5 per cent in October and 4.9 per cent a year ago.

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'Cracks are appearing in the alliance'

ONE OF Germany's most senior diplomats, Baron Herman von Richthofen, ambassador to Nato and a former ambassador in London, sent a sharp message to his government last week warning that the political ties that bind the allies in Nato were breaking. The message was sent after the US decided to stop policing the UN arms embargo on the warring parties in Bosnia, but before criticism of the French and British role in Bosnia by Mr Robert Dole, incoming majority leader of the US Senate. Extracts from the ambassador's message, printed here in greater detail, first appeared yesterday in the Süddeutsche Zeitung newspaper, and reflect particular concern in Europe about perceived new policy priorities in the US

Cracks are appearing in the cohesion of the alliance. The most recent example concerns the last few days' irritation – scarcely possible to play down even to the outside world – over the unilateral US decision to modify its participation in the joint Nato-WEU operation "Sharp Guard".

Relations between UN allies and Nato in the Bosnia and Hercegovina conflict, already complicated and tense, have become definitely problematic as a result of national decisions of the US in its capacitry as the leading power in both organisations.

The real strain for [Nato] cohesion must be expected in the event of unilateral US support for the Bosnian military or a lifting of the arms embargo, either through US action to force a decision in the UN Security Council, or through unilateral action.

Such measures would lead to escalation of the conflict and raise the question in a concrete fashion of the protection or withdrawal of the UN peacekeeping troops deployed by alliance countries. This would demand from the alliance an engagement of a completely new form, to which precisely the US up to now has been unable to commit itself.

During the last decades the cohesion of the transatlantic alliance has been imperative and undisputed. It also held its ground during the political changes of the last years. Today, ndividual alliance partners or groups have greater freedom to push through their interests, and Nato is instrumentalised for this purpose.... As a result we see a blurring of the partners' stance that was previously held and determined jointly. A joint effort from all partners is needed to tackle this task....

Individual problems:

1. It has provided impossible to sweep away, even for outside observers, the irritation in the last week over the unilateral US decision concerning the Nato-WEU Mediterranean operation Sharp Guard. Internally, the US action has left clear traces which have been particularl durable in the case of France, but have also caused mistrust and concern among other partners.

France is accusing the US of de facto non-enforcement of surveillance of the arms embargo, and is demanding a comprehensive evaluation of all embargo infringements at sea, on land and in the air, in the apparent expectation that this will show the unreliability of the US. The speedily held foreign ministers meeting of France, Britain, and Russia – in other words without the contact group partners US and Germany – may be seen as direct reaction to the recent US action.

Moreover, the US government has been apparently consulting in the meantime with Congress over massive support for Bosnian government troops and a unilateral lifting of the arms embargo. It is above all the possible lifting of the arms embargo, which would have far-reaching political and military consequennces, that would bring the cohesion of the alliance to its limits.

This dilemma of the alliance would break out into the open, should the as a result of a lifting of the embargo a worsening of the situation force peacekeepers to be withdrawn and fighting troops to be sent from Nato members for their protection.

2. In addition to this, unilateral changes in US policies towards the ex-Soviet union and eastern Europe since the Nato summit in January directly affect the alliance. There was an abandonment at short notice, without any consultation, of the "Russian First" concept. The same happened to the question of treating the expansion of Nato as a process and as part and parcel of development of European security.

This need not *per se* be regretted. However, if the US on the one hand promotes a robust continuation of Partnership for Peace, but if on the other hand the concept is described by parts of the administration as "inadequate" and "oversold" after a few months, then this part of alliance policy ends up being discredited. The programme is in danger of being obsolete already, especially for the countries it is meant to help. Now the US is applying political pressure for more speed in the expansion question, without paying attention to how this affects internal alliance positions on eastern policies as well as the military and financial consequences.

It is not clear to what extent US pressure is being motivated by a let-up in defence efforts of Nato member countries and expectations of a build-up of Nato potential through new members. Equally, it cannot be ascertained whether "hurdles" are being erected by means of criteria for [new members'] acceptance into Nato. Latest US security policy consultations in some central and east European states are likely to have included the question of Nato expansion. This leaves us to conclude that a backdoor method is being used to present the alliance with a *fait accompli* in the form of predetermined agreements, non-compliance with which is bound to cause political damage.

If such consultations were to be carried out before each Nato-level agreement, then the partners in the alliance would no longer be free in their decisions.... This is another manner in which the cohesion of the alliance is being put under strain – even if it is possible to find a more or less procedural passage in the foreign ministers' communique of December 1 that all 16 states can accept. The expansion question is of such fundamental importance that we must avoid a rapid US success [in this matter] turning into a Pyrrhic victory for the alliance.

3. France, which in the last few years has moved pragmatically toward the US within the alliance, is bound to be disappointed by these unilateral American decisions. The threshold of tolerance level may be in sight and fundamental rethinking cannot be excluded.

France mistrusts US policy on Bosnia. Foreign minister Juppé alleges that the US "favours a logic of war". A demand is possible for a change in leadership of the operation "Sharp Guard", ie through the WEU. Thoughts about restructuring the alliance – a division between traditonal tasks and new tasks – are also well known.

4. Other member states are akso contributing to these divisions and to a weakening of alliance cohesion. Canada has left Europe militarily; also, it has only one political goal with one interest, however understandable: the well-being of its peacekeepers....

The Bosnia conflict has also made the divergence between Greece and Turkey more evident. Turkey demands an entirely new Nato commitment to protect the Moslem population, Greece warns against the use of Turkish peacekeeping troops in the conflict.... Richthofen

NEWS: INTERNATIONAL

US Taipei trip may irk China

By Laura Tyson in Taipei

Mr Federico Peña, US secretary of transportation, will visit Taipei early next week to address a bilateral forum and meet top Taiwan officials in a move which risks incurring the wrath of Beijing.

Mr Peña's trip will be the highest-level visit to the island by a US official since a 1992 trip by Ms Carla Hills, who was then the US trade representative. He was invited to attend an annual meeting of the US-Taiwan Economic Council, a private, non-profit organisation of US and Taiwan business interests. Former US president George Bush will also attend.

The nominally private American Institute in Taiwan, which acts as the *de facto* US Embassy, said the visit reflected the growing importance of Washington's commercial relationship with Taiwan, the US's sixth largest trading partner.

There are also expectations that the newly elected Republican Congress in the US will be more sympathetic to Taiwan, which on Saturday will hold the most important elections since democratisation began in the mid-1980s.

Mr Peña is likely to promote bids by US companies for big infrastructure projects under Taiwan's national development plan. These include a nuclear power plant, a high-speed railway, freeways and urban mass transit systems.

His visit closely follows a stern warning from China to President Bill Clinton against treating Taiwan as a separate government. Mr Jiang Zemin, China's president, delivered the warning during the Asia Pacific Economic Co-operation forum earlier this month in Bogor, Indonesia.

The US severed diplomatic ties with Taipei in 1979 in favour of Beijing, which regards Taiwan as a renegade province and tries to suppress the Kuomintang-led government's efforts to scramble on to the world stage. Just 29 mostly small states maintain formal diplomatic ties with Taipei and visits by cabinet officials from industrialised countries are rare.

High-level bilateral exchanges were formally banned in deference to Beijing until the Clinton administration subtly upgraded relations in September, the first changes in US policy toward the island in 15 years.

Vietnam boat people back under spotlight

Repatriation issue could raise tensions between UK and China, Simon Holberton reports

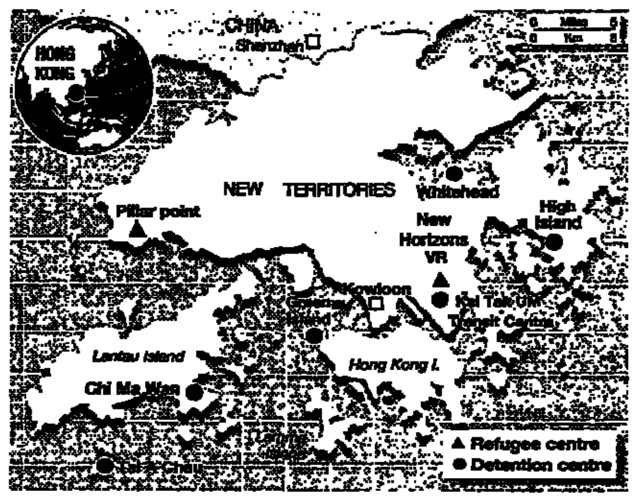
Concern is growing in Hong Kong and London that time is running short for Britain to fulfil its commitment to repatriate Vietnamese boat people from the colony by the end of next year.

The pace of voluntary repatriation has slowed to a trickle and the so-called "orderly repatriation" (forced repatriation by another name) has only recently been restarted after suspension from March until September. This year the government will be lucky if 6,000 Vietnamese return to Vietnam, half as many as returned in each of 1993 and 1992.

As the rate of repatriation is stepped up, the issue again risks becoming the focus of international controversy, possibly of fresh tensions between the UK and China.

This week, Ta Kung Pao, a Beijing-controlled daily, warned Britain it should stand by its undertaking to see all Vietnamese in Hong Kong returned to Vietnam by the end of 1995. "If not, the British government should be responsible for this," the paper said. In a sentence few Vietnamese would recognise, Ta Kung Pao added: "Hong Kong has become a paradise for the Vietnamese people."

The Vietnamese have few friends in Hong Kong, outside



a band of civil rights activists. Caught between the apparent indifference of Britain and the hostility of China, they face an uncertain future.

Yet they command the attention of both London and Beijing. Violence, or the threat of violent protest, is never far from the surface in the camps.

A worry of the Hong Kong authorities is that a putative "hard core" of Vietnamese may do something dramatic, such as group suicide, to protest against the hopelessness of their situation.

In the spring of this year, the plight of the refugees grabbed international attention when 1,500 inmates at the Whitehead prison camp rioted in opposition to the government's policy of forced repatriation. The riot was put down with force, resulting in 270 casualties; one young mother of two may be crippled for life.

More recently, Hong Kong's passions have been inflamed by the release of 125 Vietnamese after the government found they could no longer be lawfully detained.

Hong Kong is unsympathetic to the plight of the Vietnamese, even though it has been a refugee colony for most of its 150-year history.

In response to the release of the 125, the local press has been full of articles warning of potential law-and-order problems if Vietnamese are let into society; some civic leaders have pointed to the depressive effect on wage levels an influx of cheap labour might have.

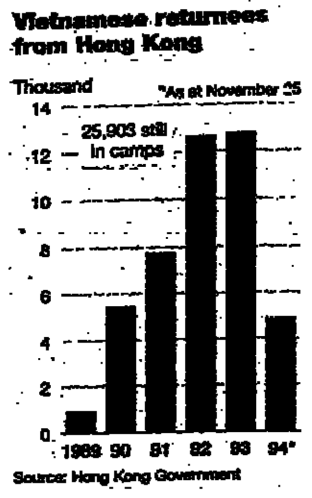
Since June 1988, the basis for detaining almost all Vietnamese in Hong Kong is that they are illegal immigrants awaiting return to Vietnam.

In the case of 125 who volunteered to return, Hanoi rejected the Hong Kong government's contention that they were Vietnamese nationals. Unable to return them to Vietnam, the government had little option but to release them into an open camp.

There are nearly 26,000 Vietnamese people housed in eight "refugee" and "detention" centres in Hong Kong. The government classifies only 1,699 of these as refugees: people with a well founded fear of persecution and therefore deserving of settlement in third countries. These lucky few are preparing for a life in the West.

The rest, numbering some 23,700 and having endured a questionable screening process, are classified as illegal

Vietnamese returnees from Hong Kong



Source: Hong Kong Government

immigrants and detained in closed prison camps pending their return to Vietnam.

The problem for Hong Kong, Britain and China is that there may not be enough time left for these people to be humanely persuaded that their future prospects are brighter in Vietnam than they are in post-1997 Hong Kong.

Mr Brian Bresnihan, Hong Kong's refugee co-ordinator, says the outlook may not be as gloomy as it appears. The reintroduction of "orderly" repatriation should have the effect of stimulating large numbers of other Vietnamese to return voluntarily, he adds.

The scheme had a powerful effect on voluntary repatriation in the past; he sees no reason why it will not in the future. "In 1991, orderly repatriation was introduced, not to effect the repatriation of migrants back to Vietnam but to show our intention to repatriate in a mandatory way those who did not return voluntarily," he said.

Fighting Mr Bresnihan is Ms Pam Baker, a former government solicitor who resigned in 1992 so she could spend time defending the Vietnamese. This week, Ms Baker, who also heads Refugee Concern, a pressure group, has called on the government to release up to 700 refugees whom she claims will be not allowed back to Vietnam and so are being detained illegally. She has threatened to issue writs of habeas corpus.

The Hong Kong government will vigorously contest any action Ms Baker brings in the colony's courts. Mr Bresnihan denies the government will have to release any more Vietnamese: "We firmly believe no one in our camps is illegally detained," he says.

Meanwhile, the inmates of the camps are restive and the clock is ticking.

Japanese banks go for lotteries

By Gerard Baker in Tokyo

Japan's financial institutions are in the grip of lottery fever. Yesterday two more banks announced the launch of deposits that give savers a chance to win cash prizes. The new accounts seem certain to intensify the competition among banks in an unfamiliar liberated environment, despite the explicit fury of their self-regulatory associations and the implicit disquiet of the Finance Ministry.

Kono Shinkin Bank, a regional credit bank, said it would introduce a lottery account next week. Anyone opening a time deposit of at least Y100,000 (£650) will be entered into the annual raffle for prizes up to Y50,000.

Depositors at Sabae Shinkin Bank will receive a ticket to a local authority lottery with even bigger potential returns.

The moves follow the launch last month of the first lottery account by Johnan Shinkin Bank, the country's largest credit bank.

The National Association of Shinkin (credit) Banks, the self-regulatory body, condemned the account for breaching voluntary rules on the type of cash bonuses its members would offer their customers. The Finance Ministry raised a regulatory eyebrow and announced an investigation into the new account, but stopped short of outlawing it.

Johnan Shinkin accused the other banks and their association of operating a cartel, and of failing to pass on benefits of last month's interest rate liberalisation to customers.

On Wednesday, Mr Yasushi Mieno, governor of the Bank of Japan, stepped into the row, saying it was important for each bank to work out original ideas on interest rates and give-aways to meet customers' needs in a deregulated financial environment.

But the regulators have also acknowledged the unease felt by some in financial circles about the propriety of banks' offering straight gambling products as part of their normal banking business.

However, the concern now for the authorities is that the accounts have proved extremely popular. It is probably the desire not to incur the wrath of a disgruntled public that has stayed the hand of the Finance Ministry so far. That decision not to rule against the account now seems to have been taken as a signal by other banks that they have the go-ahead to follow Johnan's course, and yesterday's imitations by Kono and Sabae are expected to be followed by many more.

Kuriles row blocks large-scale aid

Russian returns with few gifts

By William Dawkins in Tokyo

Mr Oleg Soskovets, the Russian first deputy prime minister, set off back to Moscow from a five-day visit to Japan yesterday bearing gifts.

The Japanese government considers it discourteous to let official visitors depart without a hand-out, even if they rarely obtain everything they want. At the same time, Mr Soskovets' ears will be ringing with his host's politely couched refusal to be more generous.

Mr Soskovets, the most senior Russian to stage an official visit to Tokyo for just over a year, returns with a mixed bag of useful trade and economic accords, marking slight progress in the two sides' efforts to set their strained relations on a more normal footing.

Yet the Japanese government continued to hold back large-scale bilateral aid, pending resolution of the big outstanding dispute between them: ownership of four islands in the Russian-controlled Kurile group just off northern Japan, seized by Russian troops at the end of the second world war.

Foreign Minister Yohei Kono turned down out of hand the Russian request for aid for the Kuriles. It would have been politically unwise for him to do otherwise, given the passions the islands arouse both in government and opposition.

Russia was equally firm on a Kuriles-related row over the right of Japanese vessels to fish the surrounding waters. Over the past year, 18 Japanese boats have been seized there by Russian patrols, in clashes in which four fishermen have been wounded. Mr Soskovets said he would do his best to avoid a repeat of such events, but warned Japanese fishermen to be careful.

At the previous official Russian visit, by president Boris Yeltsin in October last year, Tokyo was prepared to relax, but not lift, aid restrictions in exchange for talks about the islands. Mr Soskovets said he was ready to talk about the Kuriles, as was Mr Yeltsin, but offered nothing new.

The Japanese package he obtained in return reflects this – a small advance but nothing spectacular. It includes restructuring $280m (£180m) of debt to Japanese trading companies and state-controlled Export Import Bank; a small part of Japan's $5bn private and state credit to Russia.

The delegations agreed to keep talking about another $1.1bn owed by Russia to Japanese exporters. They will also restart blocked negotiations on a Russian request for official Japanese export credit guarantees for Japanese suppliers of equipment to Lukoil, Russia's largest oil group. Lukoil already has a Japanese aid package to buy equipment for a field in west Siberia, but the Japanese suppliers want to be sure of being paid.

On top of this comes a series of political accords, for Japan to support Russian membership of the World Trade Organisation, and for establishment of a joint committee to talk about bilateral problems.

South Korea cashes in on overseas investors

By John Burton in Seoul

South Korean financial institutions cashed in yesterday as overseas investors responded to the raising of foreign shareholding ceilings by buying their highest one-day total of shares in the country's leading blue-chip companies.

Foreign investors purchased 19.4m shares, far higher than their daily average of 140,000, or the 270,000 shares purchased on the first day the market opened on January 13, 1992. However, the Seoul general index fell 8.2 points to 1066.21 as Korean institutional investors unloaded large numbers of stocks acquired in anticipation of the increase in the foreign investment limit to 12 from 10 per cent.

Western securities houses in Seoul have claimed the government's announcement in early October that the foreign shareholding ceiling would be raised on December 1 had given some domestic investors plenty of time to raise share prices, some by up to 30 per cent.

The move provided an opportunity for Korea's troubled financial institutions to reap large capital gains. Banks have been relying on income from securities to increase profits threatened by growing provisions for non-performing loans.

Investment trust companies are also relying on big gains on the bourse to pay back government loans. Analysts in Seoul have been debating for weeks whether foreign investors would accept the higher prices for blue-chip shares or wait until the market stabilised.

The answer came within minutes of yesterday's opening as the expanded foreign shareholding quota for some of the nation's most favoured stocks were quickly filled. Among stocks favoured were the bourse's star performer Korea Mobile Telecom, the electronics companies Samsung and Goldstar, Hyundai Motor, Hyundai Engineering and Construction, and Daewoo Securities. By the end of the day, the foreign ceiling for 58 of the most attractive issues had been reached.

"If foreign investors have been smart, they would have waited. But it was a question of too much foreign capital chasing too few stocks. Investors decided it would be better to be in them rather than be shut out and pay premiums later" on the unofficial over-the-counter market, a senior official at a British securities house said.

South Korea is considered one of the most attractive markets in Asia because of its generally moderate price-to-earnings ratios and a booming economy, which is expected to grow by at least 8 per cent this year.

Foreign investors have been preparing for the latest opening during the past few weeks by restructuring their portfolios, including selling less attractive shares.

Analysts now expect a decline in the stock market as foreign investors bide their time in purchasing other stocks. Korean investors will have another chance to take advantage of overseas interest next year when the foreign shareholding limit is raised to 15 per cent.

Ten years on, the fallout from Bhopal remains

Gordon Cramb returns to the site in India of the world's worst industrial disaster

People are our most important assets – their safety and health our greatest responsibility. Occupational injuries and illnesses and accidental property losses are preventable. It is the primary responsibility of line management to define, initiate and maintain actions to prevent such injuries, illnesses and property losses. Good safety and accident prevention practices are good business.

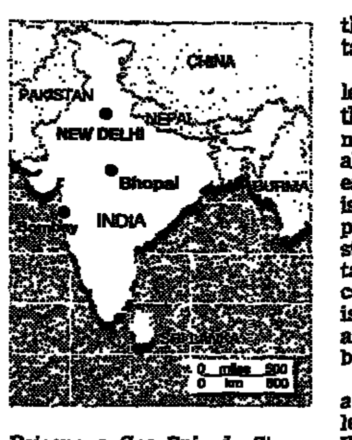
It seemed the very model of a modern multinational. In 1984, releasing that statement of safety principles, Union Carbide of the US was celebrating its golden jubilee in India, where it produced pesticides and Eveready batteries.

But ten years ago tonight a tank ruptured, and with it the faith of hundreds of millions of Indians in the superiority of western technology. From its facility in the central city Bhopal, a cloud of poison gas enveloped citizens asleep in the surrounding slums, killing thousands in the world's worst industrial disaster.

A decade on, with the flow of foreign direct investment into the country doubling year by year, that faith is being rebuilt. The mothballed Union Carbide pesticide plant is meanwhile being dismantled. After years of wrangling, progress is starting to be made in compensating the victims.

Special courts are hearing applications from those injured and who now suffer lung, eye or nerve disorders or a form of cancer, and from families who lost their breadwinner. Union Carbide's sequestered 51 per cent stake in its local offshoot, which has continued to operate from its other Indian sites, was last month sold to a local business house, and from the funds a hospital is to be built in Bhopal.

But few are happy. Campaigning groups argue among themselves for the right to represent the afflicted. Allegations abound of corruption among medical and legal workers who are said routinely to charge a percentage of any award for processing the documents which claimants need. Research to monitor patients with long-term ailments has been neither systematic nor co-ordinated. In the absence of postmortem examination reports, the death toll for the disaster remains in dispute, with estimates ranging from 1,800 in its earliest days to one unofficial total of 25,000.



Mr Alok Pratap Singh of the Poisonous Gas Episode Struggle Front, who was a volunteer relief worker that night, says 7,000 coffins were supplied by Bhopal businesses, with more bodies cremated in shrouds or cast into the river. He says the effects of the leak of methyl isocyanate, an intermediate product which erupted when it came into contact with water, were "like Hiroshima".

"But that was war, not an economic interest. Here a multinational corporation was involved. Now many multinationals are seeking a future in India." The private sector is too protected against actions in the Indian courts, he maintains.

In 1989 Carbide paid $470m, less than expected, to settle all the civil suits it faced. Criminal proceedings remain in abeyance. Mr Justice A G Qureshi, the high court judge who is overseeing the 600,000 compensation hearings which started three years later and take place at more than 30 courts, says he proposes to finish in another three years, although he adds: "Nobody believes it."

About 150 people a day form a huddle outside his windowless office to stake their claim. Women in faded floral saris help grizzled old men down the steps after police with rifles turn them away. Campaigners say the judge has established a needlessly legalistic and adversarial procedure; inside, he counters that "it's a messy job" with many spurious applications. He has already approved more than 110,000 awards totalling Rs3bn-plus (£60m). Compensation ranges from Rs25,000 to Rs400,000 per case – large sums for those who until now have been receiving just Rs200 a month in government allowances.

The sale of the shareholding in Union Carbide India to McLeod Russel, part of a Calcutta tea empire, will raise Rs2.9bn. Among a small number of other potential buyers was thought to have been Ralston Purina, the US food-based group which in 1986 took over Union Carbide's battery operations elsewhere in the world.

What went wrong that night has never been established. The Connecticut-based company still maintains that the cause was sabotage by a disgruntled employee who put water in the tank unaware of what the full consequences would be, but it stops short of naming him. Many Bhopal residents allege that Carbide cut corners, storing an unstable compound rather converting it directly into a less toxic final product. Similar plants elsewhere in the world have been adapted to minimise the risk of exposure to water.

India has meanwhile enacted an environmental protection law, but concerns remain that it is inadequately enforced. New sites, particularly investments from abroad, receive close scrutiny, but older domestic plants release waste daily into the Ganges.

Bhopal, capital of Madhya Pradesh state, is itself now a relatively prosperous city by Indian standards, in part because of compensation payments but also because the state government has for the past few years striven to attract inward investment.

Mr Digvijay Singh, chief minister, says money can never fully recompense lost lives but adds: "Union Carbide is a multinational operating all over the world. One shouldn't judge its performance because of one accident."

That degree of magnanimity will go down well among potential investors as well as at Union Carbide's Danbury headquarters, which will fly its flags at half mast tomorrow.

Mr Robert Berzok, a Carbide director, says the tragedy "served as a catalyst for enormous change" at the company, which no longer makes agrichemicals. The main lessons he offers for the chemicals industry worldwide: better dialogue with local communities, and continued improvements to operational procedures.

If nothing else, Bhopal showed that a safety manifesto, however nobly phrased, is not enough.

UN chief urges world-wide mobilisation against Aids

By David Buchan in Paris

Mr Boutros Boutros Ghali, UN secretary-general, yesterday called for "world-wide mobilisation" against Aids at a Paris summit where France invited other rich states to follow its lead in pledging more money to fight the epidemic.

Mrs Virginia Bottomley, UK health secretary, expressed her government's support for "this important event", and said the UK would give an extra £2m over the next three years to international research into Aids and the HIV virus. Total British HIV/Aids spending will reach £230m next year.

The one-day summit ended with representatives of 42 rich and poor countries, including 13 prime ministers, signing a "Paris declaration" designed to give higher political profile to an international fight against Aids that is often left to specialists.

Mr Edouard Balladur, French prime minister, said the four general goals of the declaration were to "highlight the degree to which the Aids epidemic threatens all of humanity"; to "stress the responsibility of states to every man and woman affected by Aids"; to "commit our states to do everything to treat the sick and guarantee their fundamental rights", and "undertake to help developing countries improve their campaign against Aids".

Mr Balladur said France, which co-hosted the summit with the UN's World Health Organisation, would contribute an extra FFr132m (£15.7m) to carry out the declaration's recommendations, such as improved safety of blood transfusions.

Some speakers from non-governmental organisations said yesterday's meeting was only "a tiny step forward", and it was time for politicians "to start moving from intentions to concrete action". One, MRAP, called for France to stop expelling HIV-positive people to third world countries, saying such expulsions amounted "to a death sentence".

Demonstrations by Aids campaigning organisations were held near by. The Eiffel Tower was lit up with red lights, representing the red ribbon symbol of World Aids Day.

INTERNATIONAL NEWS DIGEST

West Bank takes on tax powers

Israel completed the transfer of power in the West Bank to Palestinians yesterday, handing over direct taxation and health following previous transfers of education, tourism and welfare. Economists said transfer of taxation, excluding customs duties, was vital to Palestinian public finances and to achieving the targets of an agreement this week between international aid donors and Palestinian officials to plug a $125m (£80m) budget deficit until March 31.

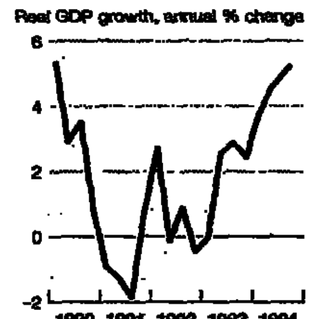
Israel collected an estimated $90m in income and value added taxes from the West Bank's 1.1m Palestinian population last yea,r although Israeli officials estimated this represented only 20 per cent of taxes owed. Donors have warned they expect the Palestinian self-rule authority to balance its budget by the end of next March and say they will not fund recurrent expenses beyond that date. Mr Atef Alawneh, Palestinian finance director-general, urged Palestinians to end their practice of tax avoidance, which had been seen as a legitimate resistance to Israeli occupation. "Taxes are the bride-price of independence and the key to democracy and participation... Now delay in paying means a delay in building the Palestinian state."

Israel is assisting Palestinians with tax collection in the West Bank and has trained several tax officials and translated tax records into Arabic. The International Monetary Fund and World Bank are also providing technical assistance. Both Israel and Palestinians say the transfer of West Bank power has been considerably smoother that the transition earlier in the year in the Gaza Strip. *Julian Ozanne, Jerusalem*

Philippine growth rate quickens

Philippines

Real GDP growth, annual % change



Source: Datastream

The Philippines' gross national product rose by 5.9 per cent in the third quarter of the year on sharply higher farm output and accelerated growth in industrial activity, the government announced yesterday. The growth rate was the highest since the third quarter of 1990 and brought growth in the first three quarters to 5.5 per cent, compared to 2.2 per cent in the period last year, said the National Economic and Development Authority. Gross domestic product, which excludes capital inflows and remittances from Filipinos employed abroad, grew in the third quarter by 5.1 per cent, up from 2.7 per cent a year ago. The improved performance bolstered government hopes for full-year 1994 growth of up to 6 per cent, from last year's 2.3 per cent. *Jose Galang, Manila*

Inflows spur China's inflation

China said a record inflow of foreign capital had fuelled inflation and admitted to poorly managing the influx. "This year we did not sufficiently prepare for managing this huge inflow of foreign capital," Mr Xie Ping, deputy director of the policy and research department of the People's Bank of China, wrote in an analysis in the Financial News.

China's net inflow of capital amounted to $23bn in the first 10 months of 1994, with foreign investment comprising $22.7bn, Mr Xie said.

Chinese leaders repeatedly cite foreign investment figures as proof of the success of their socialist market reforms, and boast of their aim to overtake the US as the world's top destination for inward investment. China says it now ranks second only to the US as a target for such investment. Much of the foreign money flowed into real estate and capital construction, whose 40.4 per cent annual growth in the first 10 months was a main cause of inflation, Mr Xie said. *Reuter, Beijing*

NEWS: THE AMERICAS

Foreign-trained economists extend their grip on the levers of power in Mexico

Zedillo promises fresh drive for peace

By Ted Bardacke and Damian Fraser in Mexico City

Mr Ernesto Zedillo, the new president of Mexico, yesterday promised to open new negotiations with armed rebels in the troubled southern state of Chiapas and pledged the armed forces would maintain their unilateral ceasefire in the conflict.

"There will be no violence from the government and I trust there will be none from those who have dissented," said Mr Zedillo in his inauguration speech after he received the traditional red, white and green presidential sash and a big bear-hug from outgoing president Carlos Salinas.

Mr Zedillo also announced he would introduce constitutional amendments "as the first step to deeply reforming" Mexico's "very deficient" judicial system. The president dedicated much of his 45-minute speech to attacking corruption and impunity from prosecution. He promised to lead a government whose guiding principle would be "the rule of law".

One of the government's first judicial commitments would be to "fully clarify" the assassinations this year of the ruling party's first presidential candidate Mr Luis Donaldo Colosio and party secretary general Mr Francisco Ruiz Massieu, Mr Zedillo said.

While economic growth and income redistribution would be a priority, Mr Zedillo stressed he would maintain "strict discipline on prices", arguing that growth with inflation would "destroy" the successful structural changes undertaken under Mr Salinas.

Nevertheless, Mr Salinas was indirectly criticised, as Mr Zedillo painted a stark picture of the political, economic and social problems he was inheriting. On political reform, Mr Zedillo said he would work to make the 1997 mid-term elections unquestionable by working for a "definitive" political reform, including party financing and spending, media access and autonomy of the electoral authorities.

Mr Zedillo's cabinet, announced on Wednesday, shows foreign-trained economists who rose to prominence under Mr Salinas extending their grip.

Outgoing President Carlos Salinas (right) welcomes Cuba's President Castro to Mexico City *Reuter*

Overall, 13 of the 19 principal cabinet ministers have postgraduate degrees from foreign universities. Many, including Mr Guillermo Ortiz at communications and transport and the president's chief of staff, Mr Luis Tellez, have economics PhDs from leading US universities.

So do two prominent non-cabinet members, Mr Carlos Ruiz and Mr Rogelio Gasca, new heads of Petroleos Mexicanos and the Federal Electricity Commission respectively. The proliferation of technocrats, committed to free-market economic reforms, has led to criticism that the cabinet lacks political experience, and is too narrow in its background.

Some observers predicted that old-guard politicians left out of the government by Mr Zedillo, who himself has an economics PhD from Yale University, might cause trouble down the road.

The decision to break with tradition and select Mr Antonio Lozano, a member of the opposition, as attorney general, and to appoint two ministers (environment and health) with no party affiliation, was well received yesterday.

However, the incorporation of Mr Ignacio Pichardo, the former president of the ruling party, who is alleged to have blocked the investigation into the assassination of Mr Ruiz Massieu was sharply criticised by the opposition.

Another official allegedly involved in blocking the investigation, Ms Maria de los Angeles Moreno, was expected to be named president of the PRI tomorrow. Both officials vigorously deny the charges.

Mr Ortiz, the former deputy finance minister, is likely to loosen further rules limiting private investment in public infrastructure in his new post.

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US Court ponders congressional term limits

Jurek Martin on the constitutional implications of the move to end cosy Washington incumbencies

It is rarely easy to read the mind and balance of the US Supreme Court. For 90 minutes in a packed court room on Tuesday morning the nine justices were even more inscrutable as they engaged in oral arguments over what is probably the most important constitutional case they have agreed to take on in their current session, and one of the hottest political issues in the country.

At stake is whether individual states may limit the number of terms their members of Congress may serve in Washington. The case before the bench follows an Arkansas referendum in 1992 which voted 60-40 per cent in favour of ceilings of three two-year terms for members of the House and two six-year periods for senators.

Term limits are at the top of the conservative populist agenda. Starting with Colorado in 1990, variations on them have been approved by 22 states, but no federal law exists and no member of Congress has yet reached the allotted span. The Republican mid-term election manifesto – the "Contract with America" – commits the party to propose a constitutional amendment making them mandatory. The Clinton administration opposes them.

In agreeing to hear the Arkansas case, the Supreme Court, in effect, took pre-emptive action. Its final ruling, probably next June, may be based more on written briefs than oral arguments but, on Tuesday, four lawyers, two from each side, appeared in front of the bench to make their cases and be questioned by the justices: in practice they rarely completed more than three consecutive sentences before finding themselves on the receiving end.

The questioning revealed very little of how the Court might eventually divide. Every justice except Clarence Thomas spoke. The newest member, Stephen Breyer, held his fire until towards the end before letting loose a volley of well-rounded questions. If Antonin Scalia, quick as a cat with his wit, and John Paul Stevens were the most voluble in their interjections, the other five, including Chief Justice William Rehnquist, were hardly less reticent.

A principal duty of the US solicitor general – now the urbane Drew Days – is to argue cases before the Court and some private lawyers, such as Mr Joel Klein, currently deputy White House legal counsel, have made careers in this most daunting of legal environments. This has not been the experience of J Winston Bryant, the Arkansas attorney general, appearing for term limits. He seemed a little over-awed by the occasion and the sharp interrogation to which he was subject.

Much of this centred not on the perceived modern evils of entrenched incumbent politicians. Instead it focused on what the Founding Fathers – principally Thomas Jefferson, James Madison, John Adams and Alexander Hamilton – meant at the constitutional convention of 1787 and subsequently when they established simple criteria of citizenship, age and residency for elected officials.

The question most exercising the justices was whether this precluded states from setting other qualifications. Justice Ruth Bader Ginsburg half-suggested that state prerogatives may be limited, in the words of the constitution, to providing the "time, place and manner" necessary for fair elections.

But Justice Breyer, noting one Californian legal precedent, said that if party membership or a minimum period as a registered independent could be considered a legitimate qualification for a congressional candidate, then it logically could follow that term limits were also acceptable.

The term limit lawyers insisted Jefferson envisaged a "voluntary rotation" of members of congress. But the other side invoked Madison and Hamilton as implicitly rejecting term limits because it infringed, in Madison's words, "the indisputable right of the people to return whom they thought proper".

The irony of this most important case is that the fault which term limits are designed to redress – the cosy existence in Washington of incumbent politicians – has been in good measure remedied by the last two elections. When the next Congress convenes in January, only about half its membership will have served six years.

No wonder those that remain, including many Republicans in the Senate, doubt it is necessary to go further. The Court could settle the matter either way.

AMERICAN NEWS DIGEST

Manufacturing activity on rise

US manufacturing activity continued to expand rapidly in November with production hitting its highest level for 11 years, the National Association of Purchasing Managers reported yesterday. The NAPM index rose to 61.2 per cent from 59.7 per cent in October, while the association's production index climbed to 66.7 per cent from 64.2 per cent in October.

Mr Ralph Kauffman, manager of procurement at Oryx Energy and chairman of the association's business survey committee, said the advance was spread across all but three of the 20 industrial sectors. The strongest growth was in printing and publishing, paper, furniture, leather, petroleum, plastics and rubber and transportation equipment industries.

The NAPM index of prices paid to suppliers fell in November, but this was a result of seasonal adjustment factors. Mr Kauffman said all 20 sectors were still reporting higher prices. *George Graham, Washington*

Brazil finance minister chosen

Mr Fernando Henrique Cardoso, Brazil's president-elect, has chosen central bank governor Mr Pedro Malan to become finance minister when he takes office on January 1. The choice of Mr Malan suggests the economic team which oversaw this year's launch of Brazil's new currency, the Real, will remain largely intact, although in different posts, following the change of government.

Before taking over the central bank, Mr Malan was Brazil's foreign debt negotiator and oversaw much of the detailed discussion for this year's $49bn foreign debt restructuring. Mr Malan is a strong advocate of the Real and is known to favour a more independent role for the central bank.

Mr Cardoso is thought to want Mr Persio Arida, one of the main economists who planned the Real, to take over at the central bank. *Angus Foster, São Paulo*

Tough Canadian gun controls

Canada's Liberal government plans to require all gun owners to register their weapons as part of proposed gun-control legislation which it claims would be among the strictest in the world. The proposals have provoked an outcry from hunters and the well-organised gun lobby. They also include an outright ban on most types of military-style rifles and short-barrelled hand guns. Sentences for crimes involving guns would be significantly stiffened. The authorities would also gain extra powers to curb weapons smuggled into Canada from the US.

Public opinion is strongly in favour of tighter controls, following several well-publicised murders which have dented Canada's reputation as a non-violent society. Mr Allan Rock, justice minister, said Canada should not become a US-style society where many people own guns for self-defence. *Bernard Simon, Toronto*

Jobless up in Latin America

Job growth in Latin America and the Caribbean cannot absorb the rapidly expanding labour supply in the region and unemployment is expected to rise slightly this year, the International Labour Organisation says. An ILO study on the impact of economic adjustment programmes from 1990 to 1993 in the region says unemployment is expected to reach 6.5 per cent this year, compared with 6 per cent in the period studied. Growth in the labour supply is estimated at 3.3 per cent this year because of a rise in the urban workforce, while jobs are projected to grow by 2.7 per cent. *Reuter, Lima*

EU to amend origin rules

By Lionel Barber in Brussels

After a long internal battle, the European Commission has approved modest proposals for changes in rules of origin as part of its effort to boost trade and investment in central and eastern Europe.

EU leaders are expected to adopt the proposals at next week's European Council summit in Essen as part of a more generous market access package for the six associate EU members: Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. Rules of origin determine whether products receive preferential tariff treatment, and are viewed as a test of the EU's commitment to integrating eastern European countries as full members.

The rules are particularly important in industries such as textiles, electronics and motor vehicles which involve processing or transforming materials and goods imported from outside the preferential trade zone.

The battle within the commission centred on how far free traders led by Sir Leon Brittan would overcome resistance from, among others, French and Portuguese lobbies worried about likely job losses resulting from progressive harmonisation of rules of origin.

Some estimates ran as high as 100,000 jobs at risk in the textile industry alone, said a senior commission official.

The specific issue at stake was the degree of "cumulation" of origin, whereby products originating in partner countries such as Hungary or Poland could be used in another partner country such as Bulgaria to yield a finished product in that country eligible for preferential tariff treatment.

After more than a year's debate, the Commission adopted a step-by-step approach covering the EU, the European Free Trade Association and the six eastern European countries.

● The first stage would streamline and simplify rules of origin in existing agreements with Poland, Hungary, the Czech Republic and Slovakia; extend these rules to Bulgaria and Romania; and consider extending full cumulation to Switzerland.

● Shortly thereafter, it would introduce "diagonal" cumulation between the EU/Efta countries and the six east Europeans. This would would create a common European area of origin, but it would not cover Asian and US assembly plants in eastern Europe seeking preferential trade access to the EU.

● Full cumulation. The commission failed to set a date and made this stage conditional on a "thorough evaluation" of the impact on employment in the EU.

Europe and Japan win $1.2bn steel deal from Norway

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, yesterday announced that it had placed steel orders worth NKr8bn ($1.2bn) with producers in Europe and Japan to be used in natural gas pipelines in the North Sea.

The steel will be used in five pipeline projects, one of which is under way. These new pipelines will accommodate the country's rapidly expanding gas exports – deliveries to Europe will rise to 60bn cubic metres by the turn of the century from 28bn cubic metres in 1994. When the projects are completed Norway's pipeline network will span more than 5,500km.

Statoil said the deal was one of the world's largest steel orders this decade and the biggest ever from the Norwegian offshore sector. The order comprises 1.5m tonnes of steel pipe to be supplied by producers in England, Italy, France, Germany and Japan between 1996 and 2000. European steel producers have won about NKr5bn worth of orders and Japanese producers an estimated NKr3bn worth.

Mr John Ove Lindoe, a Statoil executive, said as few as seven steel producers in the world could meet the required specifications for the quality, 40-inch diameter pipe.

The first consignment is for the Zeepipe II-B pipeline project comprising 210,000 tonnes of steel pipe worth NKr1bn for which the contracts have been placed with Mitsui/Sumitomo in Japan and Mannesmann Handel of Germany. The pipes will be produced by Nippon Steel, Sumitomo Metal and the Europipe group, made up of Usinor Sacilor of France and Mannesmann.

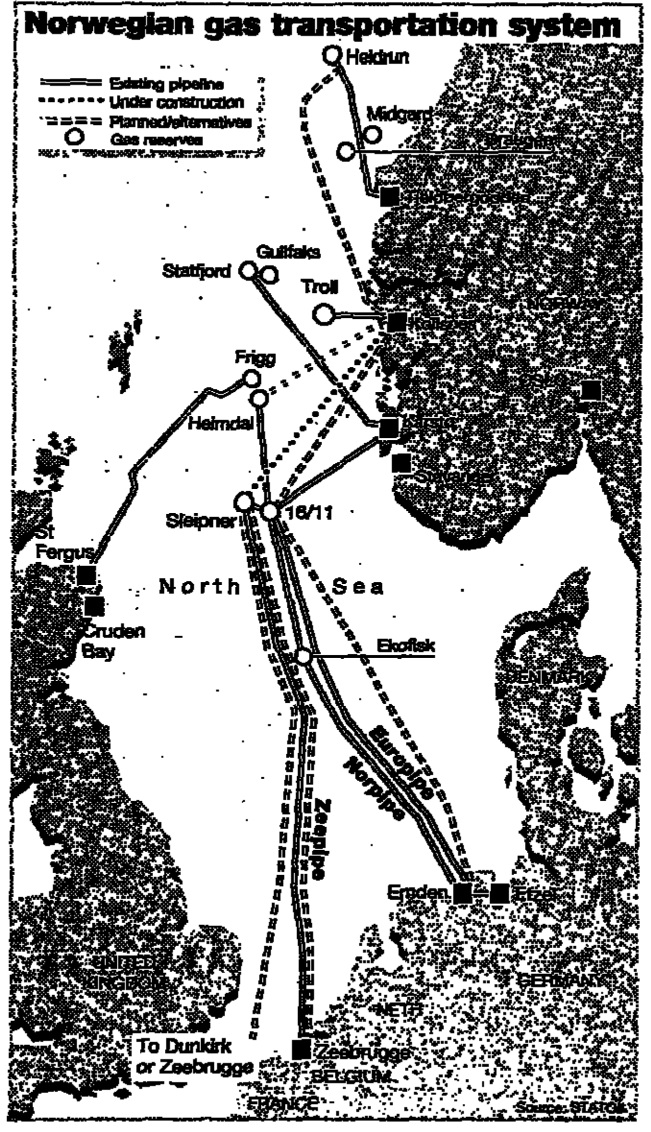
Several other gas transport projects are planned, including a new line to Germany, another to Belgium or France and a possible link between the Halten Bank off the coast of Norway and the North Sea.

● Saga Petroleum said it has withdrawn from a multi-billion dollar project to build a new oil pipeline and terminal in the Russian Arctic, but Norsk Hydro said it had no plans to pull out.

Saga has withdrawn from the so-called Northern Gates project until the Russian government offers stable conditions and sufficient legal protection to foreign investors.

Royal/Dutch Shell group also announced its withdrawal from the project.

Norwegian gas transportation system



Chinese venture will expand VW operations

By Kevin Done,
Motor Industry Correspondent

The Volkswagen group of Germany, the leading European carmaker, is expanding its operations in China with the development of its joint venture with First Automobile Works.

Audi, the group's executive car division, is to take a direct stake in FAW-Volkswagen Automotive Company, the joint venture currently owned 60 per cent by FAW and 40 per cent by VW. A modernised version of the Audi 100 will enter production at the joint venture plant in Changchun, north-east China, in 1996 with an eventual capacity for 30,000 cars a year, the company said. The Audi stake was aimed at ensuring the long-term future for the brand in the Chinese market.

VW said it would also begin making V6 engines at Changchun in 1996 with the aim of reaching a production capacity of 100,000 a year by 2001.

The production capacity for Audi cars at the joint venture would be raised to 60,000 a year from 1999, when the company plans to introduce the successor to its current Audi A6, which has recently replaced the Audi 100 in Europe.

The Audi 100 has been produced under licence by First Automobile Works since 1988, and is the car widely used by middle-ranking officials in China.

This car will continue to be made by FAW itself, after the modernised version goes into production at the FAW/Volkswagen joint venture plant, and will be sold under the name "Yellow Flag". FAW previously made the "Red Flag" limousine used by top Chinese officials.

Local content for the FAW-produced Audi 100 has already been built up to around 60 per cent. Audi will continue to supply kit parts from Germany for assembly by FAW.

The Volkswagen group, already the leading western carmaker in China, is engaged in an ambitious expansion in what promises to be one of the world's fastest growing car markets during the next two decades.

In an effort to stay ahead of rivals, it is planning to install a production capacity in China which would rival in volume the scale of operations built by individual Japanese carmakers in North America during the last decade.

It plans to have a capacity to build 660,000 cars a year as well as engines and gearboxes by 2000. The FAW/VW joint venture in Changchun will have a capacity for 360,000 cars and 500,000 engines a year, including 60,000 Audi cars and 100,000 V6 engines.

The group's second joint venture, Shanghai Volkswagen Automotive, in which VW holds a 50 per cent stake and which currently builds the previous generation VW Santana, is planned to have a capacity for 300,000 cars and 330,000 engines a year. VW has added this year to its existing range (the Santana, Jetta and Audi 100) by starting assembly by FAW, at its plant at Chunde, of the Seat Cordoba small car from kits supplied by Seat, the group's Spanish subsidiary. The car is being sold in China as the VW City Golf, and VW plans to assemble around 10,000 in 1995.

In the decade since it began its first low volume assembly in Shanghai, VW will have produced more than 500,000 cars in China by the end of 1994 including 453,000 cars built by the two joint venture companies and 71,000 Audis built under licence by FAW. It is seeking to increase co-operation between the two joint ventures, in particular in engine production, with the exchange of key components between the two plants. Camshafts and crankshafts are to be made by Shanghai Volkswagen, while the Changchun plant will produce connecting rods and crank cases.

VW claims that around 100 components licensing and know-how agreements and 40 joint ventures have been established in China, since it began local production, and that another 30 joint ventures are now under negotiation.

WORLD TRADE NEWS DIGEST

Tokyo move on Uruguay Round

A Japanese parliamentary committee yesterday approved a package of trade and farm bills linked to the Uruguay Round global trade accord. The package, which includes legislation concerning the World Trade Organisation and a new law governing distribution and retailing of rice, is likely to pass the lower house today. Although the ordinary parliamentary session ends on Sunday, the government is seeking an extension of about five days in order for the package to be approved by the upper house.

Politicians representing the farm lobby had threatened to oppose the package unless substantial compensation was made to the agricultural sector. Under the Uruguay Round agreement, Japan will open its rice market, importing 4 to 8 per cent of domestic rice consumption over the next six years. Heavy lobbying by politicians, backed by the rural vote, forced the government to agree to fund a rural support package with a supplementary budget separate to the annual agricultural budget. *Emiko Terazono, Tokyo*

TIR carnets suspended

The growth of smuggling by organised crime has led the International Road Transport Union (IRU), which groups road haulier associations in Europe and elsewhere, to suspend the issue of TIR "carnets" for cross-border consignments of tobacco and alcohol from yesterday. The IRU said insurers were now refusing to cover the cost of tax and duty payments for goods which "disappear" en route. Under the TIR scheme, which covers about 50 countries worldwide, trucks are sealed and the TIR carnet allows them to pass with the minimum of red tape to their destination. The suspension of TIR carnets means drivers transporting alcohol and tobacco will have to complete formalities at every frontier they cross, leading to considerable delays and extra cost. *Frances Williams, Geneva*

Patent filing agreement

Australia and Taiwan will implement a memorandum of understanding on industry property protection enabling Australian citizens who file in Australia for a patent, trade mark, or industrial design and then make a corresponding filing in Taiwan within a certain period, to have priority over filings in Taiwan made after the Australia filing date. A reciprocal arrangement works in the other direction. In 1993, trade between the two countries was A$5bn, making Taiwan Australia's seventh largest trading partner. *Nikki Tait, Sydney*

Malaysian prices checked

Malaysia began policing the prices of hundreds of items yesterday to ensure tariff cuts have been passed on to consumers. Officers from the Domestic Trade and Consumer Affairs Ministry fanned out across the country to check the prices of 2,800 imported items on which tariffs were cut or abolished in the 1995 budget, unveiled on October 28. The government had given stores a month to lower prices. *Reuter, Kuala Lumpur*

Hopes for growth hormone

Novo Nordisk, the Danish pharmaceuticals producer, hopes to be able to begin commercial sales of its growth hormone in the US early next year. This statement was made after the US International Trade Commission dismissed complaints by Genentech, the US bio-tech group, that Novo Nordisk's product infringed Genentech patents. The Danish company said it already marketed the growth hormone, known as Norditropin in 50 countries. *Hilary Barnes, Copenhagen*

Conservatives slam choice of 'privilege from which opposition party intends to bar voters'

Political honeymoon ends for Labour leader

By Kevin Brown,
Political Correspondent

Mr Tony Blair's political honeymoon as leader of Britain's opposition Labour party ended yesterday in a blaze of controversy over his decision to send his son to a grant-maintained school outside municipal control.

Mrs Gillian Shephard, the Conservative education secretary, said Mr Blair's choice of the Roman Catholic London Oratory school for his ten-year-old son Euan marked a U-turn for Labour.

A grant-maintained school is one where parents have voted to stay within the state sector but to take control of the school's budget from the municipal authority. Prime minister Mr John Major seized on the issue in the House of Commons, accusing Mr Blair of using the grant-maintained system while planning "to remove the same privileges from everyone else." Mr Blair has been far ahead of the prime minister in opinion polls for many months.

Mr Blair said he hoped the school issue would not be "a political football". Mr Blair said he and his wife Cherie had chosen the London Oratory because it was a Roman Catholic school that regularly took pupils from his son's present school. Mr Blair told BBC television: "I am not going to make a choice for my child on the basis of what is the politically correct thing to do."

Labour officials said there was no conflict between Mr Blair's choice of school and the party's education policy, which is being reviewed by Mr David Blunkett, shadow education secretary. Mr Blunkett has dropped plans to force grant-maintained schools back into the local authority system, but remains committed to preventing any more from leaving it.

Mrs Shephard said there were two local municipal Roman Catholic schools which Euan could have attended. "Mr Blair's decision will cause huge embarrassment to his Labour colleagues, who will face the impossible task of squaring this decision with the party's words," she said.

Mr Doug McAvoy, National Union of Teachers general secretary, said the Blairs were "exercising a choice provided by Conservative legislation few other parents could contemplate. "The Oratory School has not only opted out of local authority control – it is also the only school to have opted out of the statutory arrangements governing teachers' pay."

A "sustained" fall in unemployment was forecast by Mr Michael Portillo, employment secretary, when the House of Commons resumed the Budget debate yesterday, our Parliamentary Correspondent writes. He expected an increase in jobs opportunities as business created prosperity and wealth and foreign investment was attracted by the framework established by government policies.

Mr Portillo clashed with Ms Harriet Harman, the opposition Labour party's shadow employment secretary, who described him as the "enemy of measures to put people back to work and the enemy of the unemployed". He maintained that Labour's support for a state-imposed minimum wage and other measures imposing additional costs on employers would result in higher unemployment. Labour's support for a minimum wage was a "sell-out" to the unions, he said, and a "despicable deal to boost the wages of those who have jobs by smashing the chances of those who do not". Mr Portillo defended the cut in spending on the government's training-for-work programme. He said that only around a third of participants had found jobs even after months of training. Predicting better results from a smaller budget, he said: "We will raise the proportion getting jobs to 50 per cent." Ignoring Labour jeers, Mr Portillo insisted: "We can increase the numbers going into work, but spend less on the programme."

BBC service severs link with government

By Raymond Snoddy

BBC World Service has won its managerial independence from the British government after more than 50 years. It will therefore be able itself to decide in which languages to broadcast and for how long.

The World Service, which now broadcasts its radio programmes in 41 languages to more than 130m regular listeners, has always guarded its editorial independence.

But since 1938, when the Foreign and Commonwealth Office began funding the service, the UK government has had the right to state the languages broadcast and the relative importance given to particular language groups. In the early 1980s there were confrontations when the government wanted the BBC to give up its Italian, Spanish and Maltese services. In the late 1980s the government insisted that the BBC should halt its Japanese and Malay language services.

BROADCASTING TO THE WORLD

The government has agreed after more than a year of negotiations to give up its traditional "prescription" rights in return for greater accountability for the service's performance. The new freedom could lead to a big change in management methods, with Mr Sam Younger, the new managing director, having to set priorities against a background of a grant that is declining in real terms. The change, to be announced soon, has been approved by the government and the BBC's governors.

The annual grant is about £170m ($279m) a year, and over the current three-year funding period the BBC has estimated it will lose about 8 per cent in real terms.

In return for the new freedom World Service will try to increase its audience size to 140m by 1996-97. On Wednesday the BBC began broadcasting in Azeri and Uzbeck, which are spoken in eight former Soviet republics in central Asia.

The BBC is now reviewing priorities, with emphasis on countries where there is an "information need". Executives warn privately, however, that high priority will not necessarily mean more money while low priority may simply mean that those countries can be better addressed by BBC World, the BBC's international television operations.

The Arabic-speaking world, Israel, China, Russia, Ukraine and south Asia are likely to be high priority. Medium priority areas will range from Iran and Afghanistan to most of Africa, the Balkans and south-east Asia.

Low priority areas are expected to include the countries of the European Union, the Caribbean, north America, central and south America, Japan and North and South Korea.

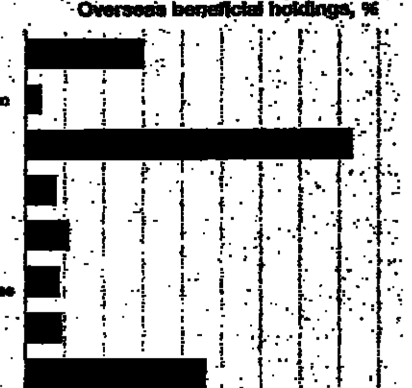
Who buys the most shares

Beneficial ownership, % of total equity owned, 31 December

Beneficial owner	1963	69	75	81	89	90	91	92	93
Pension funds	6.4	9.0	16.8	26.7	30.6	31.6	31.3	35.1	34.2
Insurance companies	10.0	12.2	15.9	20.5	18.6	20.4	20.8	16.7	17.3
Unit trusts	1.3	2.9	4.1	3.6	5.9	6.1	5.7	6.2	6.6
Banks	1.3	1.7	0.7	0.3	0.7	0.7	0.2	0.5	0.6
Investment trusts	11.3	10.1	10.5	6.8	1.6	1.6	1.5	2.1	2.5
Other financial institutions					1.1	0.7	0.6	0.4	0.6
Individuals	54.0	47.4	37.5	28.2	20.6	20.3	19.9	20.4	17.7
Other personal sector	2.1	2.1	2.3	2.2	2.3	1.9	2.4	1.8	1.6
Public sector	1.5	2.6	3.6	3.0	2.0	2.0	1.3	1.8	1.3
Industrial and commercial sector	5.1	5.4	3.0	5.1	3.8	2.8	3.3	1.8	1.5
Overseas	7.0	6.6	5.6	3.6	12.8	11.8	12.8	13.1	16.3
Total	100	100	100	100	100	100	100	100	100

Source: CSO

Overseas beneficial holdings, %



US dominates investment growth

By Norma Cohen,
Investments Correspondent

Yesterday's official figures showing a significant rise in non-UK ownership of shares in British companies provide the first glimpse of how dramatic the shift of US money abroad has been for the UK market.

While the market has traditionally looked eastward first for new capital rather than across the Atlantic, it should come as no surprise that US investors are buying foreign stocks. UK fund managers have been opening offices from Atlanta, Georgia, to Chicago, Illinois, for the better part of the 1990s, hoping to capitalise on the growing trend for portfolio diversification.

The fact that US markets moved sideways and downwards over the past year emphasised the merits of diversification, as have a weak dollar and a slump in US government bond markets.

Retail investors in the US have suddenly woken up to the merits of asset diversification. Data from the Investment Company Institute, the trade association for mutual fund companies, shows that at the end of October holdings of US mutual funds investing in foreign equities soared to $106.76bn, up from £71.0bn at the end of 1993 and $14.3bn at the end of 1990.

UK government statistics show foreign investors as the single biggest category of UK share buyers in the past year. They owned 16.3 per cent of all equity on the UK stock market by the end of 1993, up from 13.1 per cent at the end of 1992 and 3.6 per cent at the end of 1981.

The statistics confirm anecdotal evidence that it is US investors which form the largest single non-UK presence, accounting for 54.2 per cent of all non-UK money in the UK stock market, with an aggregate value of £49.2bn. Investors based in the European Union hold a paltry-by-comparison 19.5 per cent of all non-UK-owned shares in Britain.

Investment by pension funds, by contrast, slipped slightly at the end of 1993 to 34.2 per cent of the market from 35.1 per cent the year before.

Measured by value, investors from outside the UK are an even more significant force in the market. Their holdings jumped 49.6 per cent to £130.2bn at the end of 1993 from £80.7bn the year before. The figures suggest that US investors are buying the highest-value shares.

Washington officials cautious on Ireland

By George Graham
in Washington

US Administration officials insisted yesterday that they were not becoming directly involved in the Irish peace process, and were concentrating only on economic aspects. Their comments came after President Bill Clinton had named retiring Senator George Mitchell to be his special adviser for economic initiatives in the British province of Northern Ireland.

Mr Mitchell, who did not run for reelection in last month's congressional elections, will step down as leader of the Senate Democratic majority when the new Congress is installed in January. His appointment will take effect on January 10.

Although Mr Mitchell's father was the son of Irish immigrants, his more publicised root has generally been his mother's Lebanese origins. A former judge with a keen legal mind, studiously even-tempered manner and unrelenting tenacity, Mr Mitchell has been assiduously wooed for a wide range of far more prominent jobs.

Mr Clinton tried to persuade him to accept a vacant seat on the Supreme Court earlier this year, but Mr Mitchell declined.

● The European Investment Bank aims to more than treble its lending to Northern Ireland over the next three years, James Whittington writes in London.

Sir Brian Unwin, the bank's president and chairman, said in London yesterday that he hoped current loans of about Ecu30m ($38m) will rise to at least Ecu 100m by 1997 as part of the EU's efforts to bolster the Irish peace plan with economic support.

Customs cuts 'good news for bootleggers'

Mrs Valerie Strachan, chairman of Customs and Excise, has rejected union claims that the shedding of 4,000 jobs over the next five years is driven solely by the government's need to find scope for tax cuts before the next election, Andrew Bolger and Richard Wolffe write. Customs and Excise employs the officers who check travellers and consignments at Britain's ports and airports.

She said the plan – attacked by unions as risking increased drug smuggling and a loss of VAT revenue – "does not represent for us a fundamental change in direction; it is a further pretty big step down the road we were already travelling."

The Brewers and Licensed Retailers Association said that, if Customs staff were weakened, "it can only be good news for bootleggers and the French chancellor [finance minister]".

The cut in jobs from 25,000 to 21,000 by the year 2000 has been dictated by the cuts in state spending outlined on Tuesday in the government's Budget statement for 1995/96.

The Customs service has seen changes in recent years, not least through the loosening of EU border controls under the single market. Its 25,000 staff include 12,000 doing VAT work; 9,000 in Customs (looking for drugs, firearms and pornography); 2,000 in Excise (responsible for duty collection from brewers and distillers) and inland customs, and 3,000 support staff.

In the year to March, the service gathered revenue of £66.7bn – 45 per cent of the total government tax yield. Nearly 60 per cent of the department's revenue comes from VAT and only 3 per cent from Customs duties. Customs officers no longer limit the amount of duty-paid drink and cigarettes individuals can bring into the country from the rest of Europe – so long as they are for private consumption. But 240 plain-clothes officers monitor liquor stores to check that goods imported for private consumption are not sold.

The main unions representing Customs officers said: "The incentive to potential smugglers is all too clear if you consider potential profits."

Armed forces' vehicle fleet to be sold to private sector

By Bernard Gray,
Defence Correspondent

The armed forces' fleet of 95,000 support vehicles is to be operated by the private sector, with the military paying for the vehicles by the hour. Mr Roger Freeman, the defence procurement minister, said yesterday that he was committed to early action to move the fleet of non-combat Land Rovers, trucks, vans and cars into the private sector with a pilot study being conducted in 1995 "as a minimum".

The fleet will probably be sold to a private company and then leased back to the Ministry of Defence with the private contractor responsible for maintainance and replacement. The ministry had expected to spend about £450m ($738m) replacing the fleet over the next 10 years, but this will now be done by the private sector with the MoD paying an annual fee to use the vehicles.

However, Mr Freeman was lukewarm about a similar recent proposal from British Aerospace to refurbish and operate the Royal Air Force's ageing Hercules transport aircraft fleet and charge the ministry for its use by the hour. "Leasing military aircraft is more difficult and there are many other factors to take into account," he said.

Leasing of non-combat vehicles has been championed by the RAF, which has been accused of dragging its heels over previous "market testing" initiatives involving the private sector. The idea has been opposed by the army, which has a much larger vehicle fleet.

Mr Freeman said that once the pilot was competed "it would be natural for the support fleet to be managed on a 'tri-service' basis."

The government's "Competing for Quality" initiative is designed to get a minimum of £2.3bn, or about 10 per cent, of the ministry's current work done by private companies before the year 2000.

Rail sale triggers rise in safety staff

The Health and Safety Executive has increased the number of railway inspectors to 46 in response to the proposed privatisation of the national rail network, our Transport Correspondent writes.

The addition of eight inspectors comes in a year in which the number of crashes involving passenger trains doubled, although the number of passengers and staff killed on the railways in 1993-94 was the lowest on record, the executive's railway inspectorate said in its annual report.

Mr Stanley Robertson, chief railways inspector, said extra inspectors were required because companies "with little or no previous experience of operating on the railway – and managers with limited experience of safety issues – may enter the railway industry as the British Rail monopoly is broken."

"Unless considerable care is taken, there can be no confidence that risk will be effectively controlled right from the start and that important matters will not fall between the safety arrangements of the various parties."

British Rail is to be sold as a series of train-operating and livestock-leasing companies separate from Railtrack, the state-owned British Rail offshoot which owns the track.

Users of London's airports warn of 'gridlock'

By Andrew Baxter

Aviation, business and tourism organisations including the British American Chamber of Commerce and the Association of British Travel Agents are joining forces today to urge the government to boost capacity at London's airports before the region reaches "gridlock".

The organisations say demand at airports in the south-east will exceed the capacity of existing and proposed developments. Their plea comes shortly before the government reacts to the debate stirred by a recent Department of Transport working group report about runway capacity in the south-east.

The warning comes from the chairman and other senior executives of the British Air Transport Association, the Chartered Institute of Transport, the Air Transport Users Council, the Confederation of British Industry, the British Chambers of Commerce, the London Chamber of Commerce as well as the British American chamber and Abta.

They say traffic lost to the UK will be to the gain of "our near European neighbours," and airports such as Charles de Gaulle in Paris or Schipol in Amsterdam could take over as Europe's major gateway.

They urge the government to assess the economic consequences of not meeting demand where it arises and the resulting loss of inward investment and tourism revenues.

Passenger numbers at London Heathrow and Gatwick were 7 per cent up in the first nine months of the year on the corresponding period of 1993.

Europe's busiest airports (1993)

	Passengers (m)
Ldn Heathrow	48m
Frankfurt	32.5m
Paris CdG	26.1m
Paris Orly	25.4m
Amsterdam	21.3m
Ldn Gatwick	20.2m

Source: ACI Europe

UK NEWS DIGEST

Power to probe tax evasion will be curbed

New Inland Revenue powers to demand documents from accountants suspected of being involved in tax evasion are to be strictly controlled. The Ely Report – commissioned by the government after an outcry over sweeping seizure powers proposed earlier this year – contains a series of radical restraints on the Revenue.

Mr Philip Ely, the author of the report and a former president of the Law Society, which represents solicitors, said he had decided that the powers recommended by the government in March were "far too wide".

He agreed, however, that the Inland Revenue did face problems when there was no way of getting hold of documentary evidence that an accountant was involved in evasion.

Among the report's recommendations are that:

● Action can be taken only where there are reasonable grounds to believe that an accountant intended to evade tax liability.
● The request for an order for documents by an officer of the Revenue should be made on oath,
● The evidence must point to a named client or clients,
● The right of access extends only to the named individual client of an accountant and not to the partnership's clients as a whole.
● A strict time limit should run from the time the disputed documents were filed to the Revenue.
● An appeal can be made by the accountant, and
● An independent Special Commissioner will oversee the action.

Ernst & Young ran a poll of more than 6,000 small accountancy firms on the earlier proposals to extend Revenue powers and found that 97.3 per cent thought existing powers were sufficient.

Price Waterhouse wins landmark currency case

Price Waterhouse, the UK accountancy firm, yesterday claimed a landmark victory for a client, Uniholdings, in a High Court case against the Inland Revenue. The case concerned a transaction by Uniholdings, a UK company, in which it borrowed foreign currency in order to invest in shares.

Because of currency movements Uniholdings made a loss on borrowings in dollars but a gain on a forward purchase of dollars designed to hedge against foreign exchange exposure. The Revenue, said Price Waterhouse, claimed the gain was liable to tax but no relief was available for the loss.

"The judge rejected the Revenue's claim becuase as the borrowing and the forward purchase of dollars was a composite transaction there was absolutely no possibility of our client making a gain," said Guy Madewell, a PW tax partner. Price Waterhouse said the decision was the first in which a taxpayer company had claimed the benefit of composite transactions law. The judgment is open to appeal.

Ford to cut Fiesta output

Ford of Britain is to suspend output at its Dagenham plant in east London, which makes Fiesta cars and vans, for seven days this month. The suspension will take nearly 4,000 vehicles out of production. Workers at Ford's Escort plant on Merseyside in north-west England, where output of 20,000 Escorts has already been lost through short-time working since October, are also expected to be told today that there will be further output cuts in the new year.

Ford blamed the action on lower-than-expected demand. The company is still feeling the adverse effects of the failure of this year's August market to live up to the industry's sales expections, leaving parts of the industry heavily overstocked. None of Ford's main rivals has announced plans to restrict production.

Tripe family blames Eurocrats

EU bureaucrats have forced one of the oldest tripe shops in Britain to go out of business, it was claimed yesterday. J. & M. Goslings, established in 1877, has served generations of families with tripe delicacies – made from offal – from its market stall in Barnsley, South Yorkshire.

But now, the family says, EU hygiene regulations are forcing it to close its processing factory because it cannot afford to invest the capital required to meet the new standards.

The family is selling its stall in Barnsley market to a Midlands firm, but loyal customers will still be served by the Goslings, who will stay on as employees. Mr Jim Gosling, 54, the great-grandson of the firm's founder, said: "My family have been selling tripe for 117 years and never had any complaints. The bureaucrats just can't leave things alone."

Waterloo wins building award

The Waterloo International Terminal in south London (above), from which trains leave for the journey through the Channel tunnel to Paris and Brussels, was yesterday named building of the year by the Royal Institute of British Architects. Mr Francis Duffy, president of the institute, described the 400m-long glass and steel structure, designed by Nicholas Grimshaw & Partners, as a "world-class building" which "nudges the boundaries of technical feasibility." He said it was "not only a symbol of London but is internationally significant in every way".

Wind energy guidelines issued

Britain's wind energy industry has put out a set of best-practice guidelines in an attempt to allay criticism of wind farms. The guidelines, now being circulated to local planning authorities, were prepared with the help of various countryside and environmental groups. The guidelines have appeared shortly before the government is due to announce the next round of subsidies for renewable energy projects, possibly within the next 10 days.

Meanwhile, the government's bill to establish an Environment Agency had its first reading in the House of Commons yesterday. The agency will have major responsibilities for the control of industrial pollution and wastes, and for the regulation and management of the water environment.

Acquittal in Salomon case

A former book-keeper with merchant bank Salomon Brothers was yesterday acquitted at Southwark Crown Court in London of helping steal £6.6m from the US investment bank.

Mr Alexander Darlow, of Bexley in south-east London, was cleared on a single charge of theft. The prosecution had claimed that the money was stolen from Salomon Brothers in April last year, converted into US dollars and transferred into a Luxembourg bank account. The money was later returned to the bank, the court heard. Mr Darlow denied the charge against him.

ITALIAN PACKAGING MACHINERY INDUSTRY

The Italian packaging machinery industry: a world leader with growing shares in the market, thanks to its traditional success in satisfying market demands, while providing personalised solutions

THE REASONS OF A LEADERSHIP

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia.
Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa.
Today one out of four packaging machines on the international market is made in Italy.

A successful tradition. The reasons for this success can be traced within its historical and geographical roots.
The first businesses were formed in Bologna at the beginning of the 19th century.
As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements of each customer.

Customisation. On the basis of this tradition, the Italian-packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

Non-stop research. The major part of the people working in the Italian packaging machinery sector is employed in research, development and maintenance.

They work on two fronts. On one side they develop an increasing number of complete and automatised lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems.
According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

Competition and competitiveness. The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very strong and represents a continuous stimulation for the improvement and innovation in products and services, customer orientation, flexibility and good quality-price ratio.
This is the basis for the competitiveness of the sector on the worldwide market.
Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs begun to cross over the frontiers.
Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

The trend of the Italian industry of packaging machinery (value in million U.S. dollars)

	1992	1993	△ % 93/92
Turnover	1,621	1,824	+12.5
Export	1,123	1,494	+33.0
Deliveries on the Internal market	498	330	-33.6
Import	178	203	+14.3
Domestic consumption	676	534	-21.0
Trade balance	945	1,290	+36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

Source: UCIMA–The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).
In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 33% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81%.
"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

An in-depth look. Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).
Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992.
The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.
Export also increased in the Eastern European market particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

A "memorable overtaking" of the competitors was then achieved in Japan where Italian machineries represent 35% of the total of foreign machineries sold there.

A strategic development. The strong position of the Italian packaging machinery industry is now going to be consolidated with an outreach visibility plan that UCIMA (the association representing Italian packaging machinery manufacturers) is implementing.
The core of this plan is the creation of the Italian Packaging Points in Hong Kong and Mexico City (and so, at the gateways to the most strategic markets: the Far East and Latin America).
These "IPPs" will support all the initiatives of Italian packaging industry (i.e. the "Italian Packaging and Process Machinery Exhibition" that will be held in Beijing in March 1995), and, most of all, will manage all the communication to the Far East and Central-Southern America.
"The Far East and Latin America, - declared Mr. De Martis - thanks to the development they achieved in the last years will be the big "chances" for Italian packaging machinery industry".
The Italian manufacturers of packaging machinery have already achieved good results, much more valuable considering the fact that, in many cases, there was no advantage coming from the devaluation of the Lira.
"So, - declared Mr. De Martis, the consolidation of the Italian packaging machinery industry in these "relatively" emerging markets, represents the last frontier to worldwide leadership".

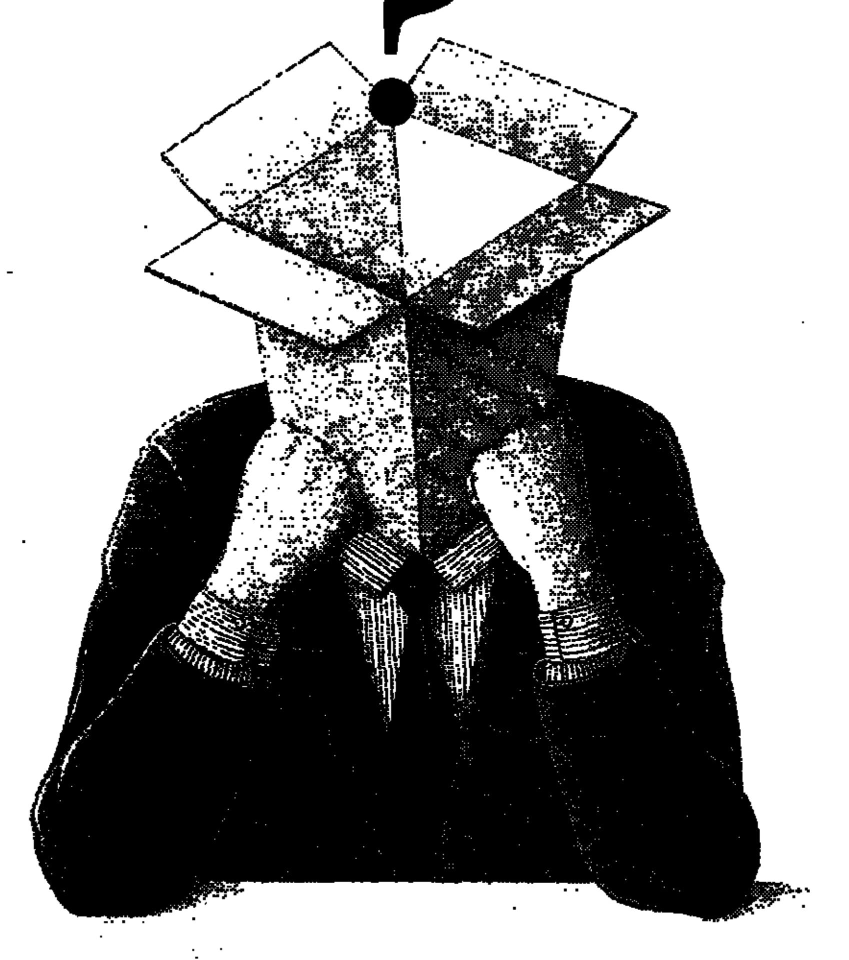
Trade balance with major partners (value in million U.S. dollars)

Italian Export to:		%	Balance '93
Germany	172	10.30%	97
U.S.A.	160	9.59%	139
France	153	9.17%	136
United Kingdom	127	7.61%	116
Spain	72	4.31%	67
Japan	65	3.89%	59
Switzerland	50	3.00%	20
Netherland	23	1.38%	10
Austria	18	1.08%	10
Sweden	14	0.84%	2
Other countries	815	48.83%	797
Total	1669	100.00%	1449

Source: Ucima-The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

Visit the Italian Packaging and Process Machinery Exhibition at the China International Exhibition Centre Beijing, 14-18 March 1995

PACKAGING ? PROBLEMS



CALL ITALY FIRST

Whenever packaging becomes a problem, calling Italian industries and experts becomes a must! Italian manufacturers are indeed at the top in terms of technology, quality, efficiency and ability to offer a personalized solution. One fourth of packaging machinery in the world is Italian made because its industry stands out internationally for its ability to meet the specialized need of manufacturers all over the world. The highest technologies and the ingenuity of craftmanship make Italian industries the ideal partners in finding the best packaging solutions. Yes, the world over!

Ask for free catalogue containing all details of Italian machinery producers to the following addresses:

UCIMA
The Italian Packaging Machinery Manufacturers' Association
Central Office
Corso Sempione, 4
20145 Milano
Tel. (+39/2) 33611557
Fax (+39/2) 3450647

ITALIAN PACKAGING POINTS

Latin American Office
Mexico City
c/o GCI Alonso y Asociados
Lancaster 17 - Col Juárez - Mexico D.F. 06600
Tel. (+525) 5251640/44 - 5111394
Fax (+525) 2088476 - 5140955

Far East Office
Hong Kong
c/o GCI Hong Kong
33 rd Floor - Manulife Tower - 169, Electric Road
North Point, Hong Kong
Tel. (+852) 5106888
Fax (+852) 5107541

UCIMA - THE ITALIAN PACKAGING MACHINERY MANUFACTURERS' ASSOCIATION

PROPERTY

Manhattan pick-me-up

Is the construction cycle turning, asks Richard Waters

Cranes are a rare sight in Manhattan these days. No new office buildings have been started in several years. None has been completed this year, and there were only two completions last year. But in 12 months, the long metal arms may once again begin to claw their way between the towers of midtown.

Is Manhattan ready for new office construction? The first big hole in the ground could come courtesy of Mr Howard Ronson, cousin of UK businessman Mr Gerald Ronson, who is proposing to construct an 800,000 sq ft tower on a site between Madison and Park avenues. After their experience of the 1980s, lenders are said to be holding back on the project finance until enough prospective tenants have signed up. Is the construction cycle turning?

After the beating the rental market took in the 1980s, there are signs that the sector is picking up – in midtown, at least. While the downtown office market, with a vacancy rate of more than 20 per cent, still faces some acute problems, the overall vacancy rate in Manhattan's bigger and more active office market has been edging down since last year, and now stands at about 12 per cent. Also, rents are showing signs of picking up from the bottom they touched during 1992 and last year.

These turnrounds hardly look significant. As the accompanying charts indicate, there is plenty of lost ground to make up after the slide in rents since the start of the decade, and much of the new office space that came on the market at the end of the 1980s has yet to absorbed. But these overall figures do not tell the full story.

First, space. "The headline [vacancy] rate still looks comparatively high," says Mr Murray Keith, managing director of Baring Advisors, the real estate arm of Barings, the investment banking group. "But quality space of over 50,000 sq ft is getting difficult to find."

That is a sentiment echoed by most other real estate professionals in New York this year. Manhattan's archetypal tenant – a bank looking for high-quality space with ample room for large trading floors – is experiencing increasing difficulty in finding the right accommodation.

The headline figures on rents also tell only a small part of the story. More important than changes in basic rent levels in the past 18 months has been a steep fall in the concessions that landlords have had to offer to attract tenants, says Mr Josh Kuriloff, a director of Cushman & Wakefield, a New York real estate company. Rent-free grace periods have fallen from an average of 12-18 months to 6-12 months, he adds. Also, the money landlords need to spend on construction or improvements before a tenant moves in has fallen from about \$50-\$60 a sq ft to \$30-\$40.

It is not difficult to see what lies behind these trends. New York city's economy is still emerging fitfully from recession. The number of jobs available, for example, only began to increase this year. The financial services industry, however, has been enjoying a heady period. Many of the new tenants of recent months have been banks expanding or shifting part or all of their operations to new premises as their old leases expire (including Bear Stearns, S G Warburg)

Tenants can often move to superior quality space in better locations at less rent than under old leases signed during the boom years in the 1980s.

What of demand for midtown office space in 1995 and beyond? The investment banking industry, for one, is just entering a period of uncertainty. Few expect an early return to the soaring financial markets of 1993. That has a knock-on effect on demand for accountants, lawyers and other associated services.

At the same time, some financial services businesses – including Swiss Bank Corp and MasterCard – are planning to move most of their business out of Manhattan altogether. SBC is drawn by the prospect of purpose-built trading floors in relatively low-cost Stamford, Connecticut. Such plans stir memories of the 1980s, when New York lost companies such as Exxon, Mobil and J C Penney – though some other financial companies which have talked of leaving in recent years have decided to stay, often after extracting tax concessions from the city.

All of this suggests that demand is unlikely to soar. And in the background is the threat that US companies will continue to shrink their overall need for office space, finding better or more efficient ways of running their operations (aided by advances in information technology).

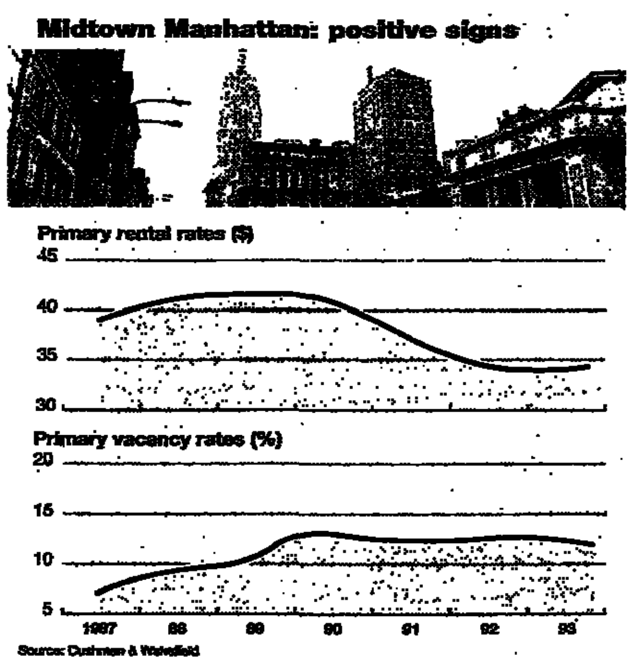
With these cautions, it seems that demand is set to remain steady for the foreseeable future – while supply, in the shape of Mr Ronson's development and others, will take time to hit the market. That implies a further firming of rents, though nothing significant.

The investment market, meanwhile, has been gathering its own head of steam. With few big properties on the market, prices for those that are being sold have climbed. Bertelsmann, the German publishing group, bought 1540 Broadway in 1992 for less than \$150 a sq ft, the first big transaction of the decade. Since then, prices have risen past \$200 a sq ft – the price paid for an IBM building earlier this year – to touch \$250 (near the level reached for the Metropolitan Tower and, more recently, a small 80,000 sq ft building on Fifth Avenue owned by the UK's National Westminster bank). The last time prices hit \$250 a sq ft was in 1989, says Mr Woody Heller, director of investment sales at surveyor Jones Lang Wooton USA.

The Chase Manhattan building at 410 Park, which is being sold throug JLW, is probably the only midtown property of any size to have come onto the market recently. This year, there have been 15 sales, compared with 13 last year and 12 in 1992, says Mr Heller.

This is a long way from the frenzy of the mid-1980s. And while the real estate market bubbles with talk of an influx of south-eastern investors – mainly from Hong Kong – it is notably less frenetic than the last eastern invasion, from Japan, during the 1980s. The greatest symbol of that era, the Rockefeller Centre, 80 per cent of which was bought by Mitsubishi in the mid-1980s, faces an uncertain future. Mitsubishi warned last month that it may not pay the interest on the \$1.3bn mortgage on the property. And if Mitsubishi eventually sells, says one investment manager, then it could provide an excuse for other Japanese owners to retreat as well.

Midtown Manhattan: positive signs



Source: Cushman & Wakefield

PEOPLE

Engineering a move north

ScottishPower has selected Ian Robinson, chairman and md of Trafalgar House's engineering division, as its new ceo to succeed Ian Preston.

Robinson, 52, will move from running the biggest division of Trafalgar House, with sales of £2.3bn and 20,000 employees, to a utility which turned over £1.5bn last year and has fewer than 8,000 people.

Robinson has run Trafalgar House's engineering division since 1992, having joined the group through its subsidiary John Brown. He graduated in chemical engineering at Leeds University before working for the engineers Kellogg and later Ralph M. Parsons. At Trafalgar House's engineering division, he rationalised John Brown, Davy and Trafalgar House Offshore. The company yesterday indicated that it was sorry to see him go but that his wish to run a plc in the FT-SE top 100 was understandable.

Robinson, who is from the north east of England but married a Scot, will join ScottishPower early next year. Preston, 61, will become deputy chairman until he retires next July. His departure removes the company's last executive director to have spent substantial parts of his career with the company when it was in the public sector as the South of Scotland Electricity Board.

ScottishPower chose Robinson in preference to the main internal candidate, Duncan Whyte, chief operating officer and former finance director. Another contender for the post of ceo, Michael Smith, left in August to run a new utility business being set up by Fletcher Challenge, one of New Zealand's largest conglomerates. *James Buxton*

Bodies politic

The Royal National Institute for Deaf People, one of Britain's leading welfare charities, yesterday gained its first deaf chief executive.

Doug Alker, 54, the RNID's research and development director, was appointed following a powerful campaign mounted within the charity for the top post to go to someone suffering from deafness. The new chief executive is profoundly deaf – British sign language is his first language.

Alker went to the RNID in 1987 following a career in industry. He was for nearly 20 years an experimental officer at ICI, and before that an analytical chemist with Pilkington. Other activities have included being a semi-professional football manager.

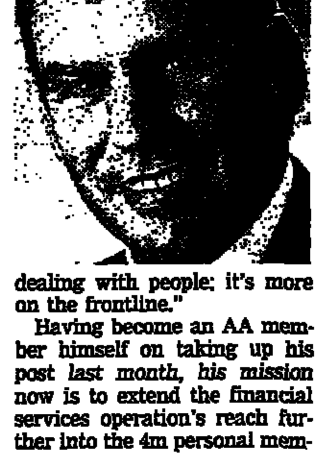
There are 7.5m deaf, deaf-blind and hard of hearing people in the UK, and Alker says his vision for the millennium is "a country where deaf people are no longer treated as second class citizens, have full access and are able to participate fully in society".

The RNID chief executive post became vacant with the appointment of Stuart Etherington to be director of the National Council of Voluntary Organisations. Alker and Etherington share the distinction, still relatively rare among voluntary sector managers, of holding MBAs. *Alan Pike*

■ Gerald Dennis, chairman of Alexandra Workwear and Domino Printing Sciences, has been appointed a joint vice-chairman of GREAT BRITAIN SPORTS COUNCIL.

■ Paul Mulholland, a director of Transco, part of British Gas, has been appointed chairman of NEIGHBOURHOOD ENERGY ACTION, the charity which helps low-income households to improve energy efficiency.

AA marks Geoff Bruce's card



While AA insurance continues its job-shedding exercise, its companion operation – AA Financial Services – is gearing up to expand and improve its services and products. To oversee this task, Geoff Bruce has been headhunted from Visa International, the card payment organisation, to become director of AA Financial Services.

Bruce, 43, had been at Visa since 1990, with responsibility for developing products in Europe, the Middle East and Africa, and sounds pleased to have escaped to more direct contact with customers.

"Visa is a membership organisation, its members are banks and you're dealing with them on a bank-to-bank footing," he says. "Here, you're dealing with people; it's more on the frontline."

Having become an AA member himself on taking up his post last month, his mission now is to extend the financial services operation's reach further into the 4m personal members of the AA, and to develop further the instalment credit schemes, Visa cards and loan accounts AA already offers.

Both he and Mark Wood, who runs AA's insurance, financial services and retail arms, plan to extend operations into new areas, such as motor finance. "So long as we always recognise that the core of the relationship with the AA member is the road service, and associate other activities very closely to that, then I think the member will see an integrated value in the services we provide," he says. *Alison Smith*

■ Jim Dickie has been appointed executive vice-president for delivery systems at VISA International Europe, Middle East and Africa region.

Gavin Laird joins EIT

The 105-year-old Edinburgh Investment Trust has made a bit of history by becoming the first big investment trust to put a trade unionist on its board of directors.

Gavin Laird, 61, general secretary of the Amalgamated Engineering and Electrical Union, will pick up around £7,500 for attending six board meetings a year of Scotland's biggest investment trust. The Earl of Eglinton and Winton, EIT's old Etonian chairman, says that Laird will provide "an additional perspective on developing trends within the UK economy".

Earlier this year Laird was involved in a controversy when the government refused to extend his appointment as a director of the Bank of England. He had been appointed to the Bank's governing body in 1986 by Lady Thatcher, the prime minister of the day. Although Eddie George, the governor of the Bank of England, had pressed for his re-appointment, the government decided against giving him a third term – thus breaking the tradition of having a trade unionist on the Bank's board.

However, Laird's appointment to the board of EIT suggests that in Scotland, at least, he is now regarded as an establishment figure. He is already on the boards of Scottish Television, GEC Scotland and Britannia Life and Laird now joins a board which until recently boasted one Earl, a Lord, a couple of knights, and four commoners. *William Hall*

■ The new senior partner of the UK firm of Ernst & Young is to be Nick Land (below). He will take over when Elwyn Elledge retires next July. Land, 46, has been managing partner of the UK firm since 1992, having become a partner in 1978.

LEGAL NOTICES

No: 006931 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
PAVILION HOLDINGS LIMITED
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 10th day of November 1994 confirming the reduction of the above Company's share premium account by £1,728,000 was registered by the Registrar of Companies on the 23rd day of November 1994.
Dated this 1st day of December 1994
Edge & Ellison
18/19 Southampton Place
London
WC1A 2AJ
Ref: AWR/9332
Solicitors for the above-named Company

ORIENTAL CREDIT LIMITED (In Liquidation)

NOTICE OF BAR DATE FOR FILING CLAIMS AND PROCEDURE THEREFOR

NOTICE is hereby given that, pursuant to an Order of the High Court of Justice, Chancery Division, Companies Court (the "Court") dated 21st November 1994, the Court has set 21 days from advertisement as the last date upon which claims may be filed (the "Bar Date") against ORIENTAL CREDIT LIMITED ("OCL") which is in liquidation proceedings in the Court under the English Companies Act 1985. All holders of claims of whatever character whether secured or unsecured, liquidated or unliquidated, fixed or contingent against OCL arising before 27th October 1986 must file them according to the procedures described below no later than the Bar Date in order to receive any distribution from the assets of OCL. IF YOU ARE REQUIRED TO FILE A CLAIM BUT DO NOT DO SO IN THE MANNER AND TIME PRESCRIBED, YOUR CLAIM WILL BE FOREVER BARRED. YOU WILL NOT BE ENTITLED TO ANY DISTRIBUTION ON THAT CLAIM, AND YOU WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM.

1. OCL'S BUSINESS – OCL carried on business as a bank and was engaged in providing a wide range of banking services.

2. PROCEDURES FOR FILING CLAIMS AND LATEST DATE FOR RECEIPT – All holders of claims must file a claim on the requisite Proof of Debt form only (copies of which are available on request from Touche Ross at the address and reference shown below). The Proof of Debt form **must be received** by no later than 5 pm on 21 days after date of advertisement, 2nd December 1994, at the following address:
Touche Ross & Co., PO Box 810, Cedric House, 8-9 East Harding Street, London EC4A 3AS.
Ref SES/HWM.

3. FURTHER INFORMATION – If you have any questions about this notice or the procedures for filing a claim, you may contact Touche Ross & Co. by mail or by telephone (during the hours of 10.00 am and 5.00 pm London, England time, Monday through Friday) at the following address and telephone number:
Touche Ross & Co., PO Box 810, Cedric House, 8-9 East Harding Street, London EC4A 3AS.
Ref SES/HWM. Telephone: 071 936 3000. (Contact: Mr M. Brewer).

MANAGEMENT

Tim Dickson on an award which aims to create TQM role models

TNT time for quality

Network News

Hard times: TNT lorries faced angry pickets at the Wapping plant

Large lorries trundled down the ramp at Wapping, Rupert Murdoch's east London printing site and cradle of a Fleet Street revolution nine years ago. Cameras whirred, pickets shouted night after night.

For many people in Britain the image of TNT Express (UK) – the Australian-owned group which operated those vehicles – is still defined by those events. This week, however, the logistics and supply-chain management company earned a new and less controversial reputation as a paragon of British quality.

Along with Rover Group, TNT was announced joint winner on Wednesday night of the UK's first Quality Award, launched earlier this year to recognise outstanding business performance through the application of Total Quality Management principles. Avis Rent A Car, BT Northern Ireland and ICL's Customer Service division were also shortlisted.

The prize's objective is identical to the European Quality Awards and the US Baldridge Awards which have both sought in recent years to create TQM role models.

The UK competition, and the more than 800 business people who packed a central London hotel for the award ceremony, bear witness to the continuing appeal of TQM more than 40 years after its "invention" by two American lecturers working in Japan. TQM may be less fashionable than business process re-engineering but it is still widely considered to have high potential to transform organisations by putting the spotlight on customer and employee satisfaction.

Over the next few months TNT chief executive Alan Jones and John Towers, his opposite number at Rover, will find themselves at Quality conferences and seminars up and down the country explaining why their programmes have produced results, thus inspiring others who have been less successful.

TNT, which delivers 60 per cent of Britain's national newspaper tonnage from a standing start in 1985, began its Total Quality initiative in 1989. "Our whole philosophy is that we want to help our customers sell more of their products: in doing that so we sell more of our freight," explains Jones. He cites as an example TNT's suggestion that newspapers discontinue the age-old practice of individually labelling each newsagent's package – a change which helped cut transit times by one hour.

Rover believes it has demonstrated the value of TQ in the way it has bucked the recession in the European motor industry. Product quality improvements, for instance, have substantially reduced warranty costs while external surveys have tracked an improving trend in customer satisfaction.

Towers says TQM is "not like a package of pills you pull off the shelf, and take with a glass of water three times a week". He cites the importance of top-level leadership, the establishment of a vision which individuals can identify with across the company, and the creation of what he calls a "compelling need". He suggests British companies are good at "pulling themselves back from the brink" but less inspired when times are good. Rover's answer in 1990 was to paint a picture of what the car industry might look like by 1995 – based on research of events in North America: "It was not so much a Sword of Damocles as simply saying to people this is what is likely to change, you might as well get on and make sure that's what we do rather than take the risk that we are overpowered by rivals".

Towers talks about "getting the drum going" but not changing the beat. Changing the metaphor, he adds: "One of the things about the Japanese is that they don't have to have a new flag every year, even if its colour may alter a bit".

An approach to non-execs

Last month's announcement that DHL chairman and chief executive Patrick Lupo has joined the board of WH Smith was routine in many ways. But the heartsearching which preceded his appointment as non-executive director of the British retailing group illustrates how leading British companies are adopting more professional and objective boardroom selection procedures.

Interest in non-execs was fuelled by successive corporate scandals and by publication in 1992 of the Cadbury report, which laid down guidelines for best practice in corporate governance. Smith chairman Jeremy Hardie, though, is not alone in thinking that the "regulatory" issues raised by Cadbury have overshadowed the often more challenging and significant role for boards of determining company strategy.

"In many businesses," observes Hardie, "the directors turn up once a month, receive a lot of (predominantly financial) information, find out what the profits are likely to be, and generally keep tabs on what is going on. Inevitably many of the decisions to be taken are cut and dried as the board is primarily there as a check."

The Smith chairman, who led the 15-month hunt to replace Edward Elson, and who is also a director of John Swire & Sons, is careful not to knock that model. His ideal, though, is of a group of experienced outsiders contributing ideas and insights helpful to the company's day-to-day managers. "In extremis the board has got an authoritative function because directors are trustees of the assets. Most of the time the function should be a collegial one supporting and working together."

Hardie says the people running companies "are often short of certain insights", and there is a fear inside most organisations about "making mistakes" – but with non execs, he says, "it doesn't matter, every now and then it even helps".

Hardie insists non-execs are there "to draw on their experience across a wide range of issues" and believes it is wrong to use vacancies to fill a resource need. "If you're thinking of moving into Spain you can hire a consultant, get someone in the corporate planning department to look at Europe, or find a director with Spanish experience. I'm against this last idea."

Smith used the headhunting firm Spencer Stuart as part of a process which also resulted in the appointment of Marjorie Scardino, chief executive of the Economist Group.

TD

Christopher Lorenz

'World-class' delusion of multinationals

Two of the surest signs of a well-managed company are its awareness of its shortcomings and readiness to be open about them. Witness, for instance, the degree of self-criticism that frequently emanates from 3M, Canon, Federal Express and other organisations that actually practise the fashionable creed of constant corporate renewal.

At the other extreme are organisations that, by failing to make adequate use of competitive "benchmarking" – or by refusing to believe its damning results – delude themselves that they are at the "leading edge", when the truth is very different.

An IBM-London Business School study published last week* found that only one in 50 manufacturing sites in four European countries is genuinely "world class", although three-quarters believe they can compete with the best of their international rivals. Such myopia is more than dangerous – it can be positively suicidal.

Between these two extremes lies a sizeable body of companies that have some sense of their competitive deficiencies but do not realise their full dimensions, and are not doing enough to rectify them.

This is all too evident from a broader study of "international competitive capabilities" in 12 leading multinationals around the world, which is about to be published**. It concludes, among many other things, that most multinationals are far less globally-minded than they think they are – their rhetoric is dangerously ahead of reality. They are also much less customer-focused and organisationally flexible than is necessary to win in global markets. Not all of them have yet realised that operational excellence in total quality and customer service is no longer a source of sustainable advantage, but merely a qualification for competing.

To make matters worse, many of their attempts to create continuous corporate regeneration and "transformation" are being hampered by a "trust gap" between leaders and employees.

The survey covered nearly 1,500 managers of two dozen nationalities working around the world for American, Asian and European multinationals such as AT&T, British Airways, BHP, Daimler-Benz, Electricité de France, Fiat, Kao of Japan, Siemens and Ssangyong, a Korean conglomerate.

The survey, called Champions of Change, was carried out by the Massachusetts-based International Consortium for Executive Development Research, a multinational think-tank. Its findings are to be published jointly with Gemini Consulting, which sponsored the research. But the trenchant conclusions are very much those of the consortium's executive director, Douglas Ready.

Respondents were given a list of 34 "organisational capabilities" and 45 "leadership competences", and asked to rank them in two ways: in order of their importance to competitiveness; and in terms of organisation's current performance in those areas. This enabled the researchers to identify performance gaps, as well as discrepancies in managerial attitudes.

Ready's report is most scathing about the discrepancies that surround the issue of globalisation

Ready's report is most scathing about the discrepancies that surround the issue of globalisation. The senior executives in the survey all emphasised, in what he calls a "relentless, almost numbing" fashion, that change and uncertainty are being caused primarily by the increasingly global competitive environment. Yet they rated their company's effectiveness at developing a "global orientation or mindset" last out of the 34 organisational capabilities.

Ready is equally concerned that no globally-related factor was ranked by the respondents as one of the five most important organisational capabilities or leadership competences; these were all more general. The importance and effectiveness of items such as managing a culturally diverse workforce, alliance management, living outside one's home country, and managing transnational teams, were all rated relatively low.

As Ready asks, if these particular companies, already in the thick of the global battle, are so "conflicted about the implications of being global", as he puts it, what does that imply for those just embarking on globalisation?

One probable cause of the problem is what Ready calls a "cavernous gap" between what chief executives say is important and what they actually value and reward. In other respects, too, the survey found that most organisations are doing a poor job of linking performance to a range of their own strategic priorities.

However, middle managers of most nationalities rated a global mindset as more important than did senior managers. So there may be hope for the next generation of leaders, although for some companies this will come too late.

On many other aspects in the survey, Ready says its ratings of importance versus effectiveness identified not just the usual performance gap but a yawning gulf. Particularly alarming, he says, was the perceived lack of effectiveness in the two items cited by respondents as most critical to competitiveness: organisational adaptability and customer focus.

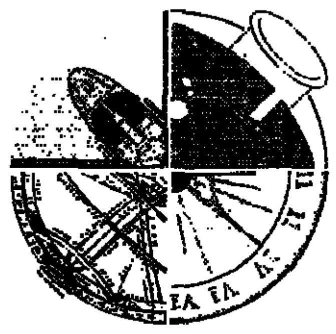
On the "trust gap" that bedevils many companies, the study found that one in five respondents said that "instilling trust between our leaders and our workers" was one of the top five requirements for creating organisational effectiveness. Yet it was rated 33rd in terms of actual effectiveness.

As on so many other counts in the survey, wish and reality were miles apart. But at least the companies' openness to outside scrutiny has helped them face that fact.

**Made in Europe. From IBM UK. Tel: 081-575 7700. £99.*
***From Francis J. Gouillart at Gemini Consulting (Fax: 617-868-6660) or Douglas Ready at ICEDR (Fax: 617-862-6211).*

TECHNOLOGY

Worth Watching · Vanessa Houlder



Taking the pain out of cleaning glass

Nippon Soda of Japan says it has jointly developed a glass that cleans itself by dissolving dirt and contamination using ultra violet rays as a catalyst, writes Emiko Terazono. Research was carried out with the University of Tokyo and a science and technology group backed by the Kanagawa municipal government.

The process uses titanium dioxide which deodorises and sterilises material when placed under ultra violet rays from the sun or from a regular fluorescent room light. A colourless transparent titanium dioxide film on glass decomposes bacteria and odorous gases. The glass is coated with silicon film before the titanium dioxide is applied to prevent reaction with sodium in the glass. Nippon Soda hopes the glass will be used for windows in buildings and cars.

Nippon Soda: Japan, tel 010 813 32456165.

Sun block for plants

Israeli scientists have unravelled a sun-protection mechanism in algae which could offer a new approach to the cultivation of crops in drought-ridden areas.

The Weizmann Institute of Science studied a salt-water alga that is capable of thriving in scorching sunlight. Under intense light, the alga produces a protein, known as CBr, and a carotenoid pigment called zeaxanthin. The researchers have cloned the gene for the CBr protein using genetic engineering techniques.

The scientists concluded that the protein binds with the pigment to form a light protective antenna which diverts excessive light from the sensitive components of the photosynthetic machinery. The researchers believe it may be possible to manipulate a similar mechanism in higher plants, including crops, to enhance their sun resistance.

Weizmann Institute of Science: Israel, tel 9728 342 111; fax 9728 344 132.

Thermal imaging in civilian role

Military research into uncooled thermal imaging is set to be transferred into civilian applications, according to an agreement this week by GEC-Marconi and the Defence Research Agency.

Until recently, thermal imaging equipment, which is used to create pictures from the heat radiated by objects, needed to be cooled to very low temperatures of minus 200°C. However, GEC-Marconi and the DRA have developed a detector capable of operating at room temperature, which is cheap enough for civilian use.

Applications being explored include cameras to help the rescue services work in poor weather conditions.

GEC-Marconi Avionics: UK, tel 0268 522322; fax 0268 883140.

Oxygen levels in newborn babies

Scientists are experimenting with infra-red light absorption as a method of measuring the oxygen reaching the brain of newborn babies, which crucially affects their risk of death or disability.

The oxygen present in the brain is related to the amount of light absorbed by bone and brain tissue when a pulse of infra-red light is fired from a laser placed at one temple to a photo-detector at the other temple.

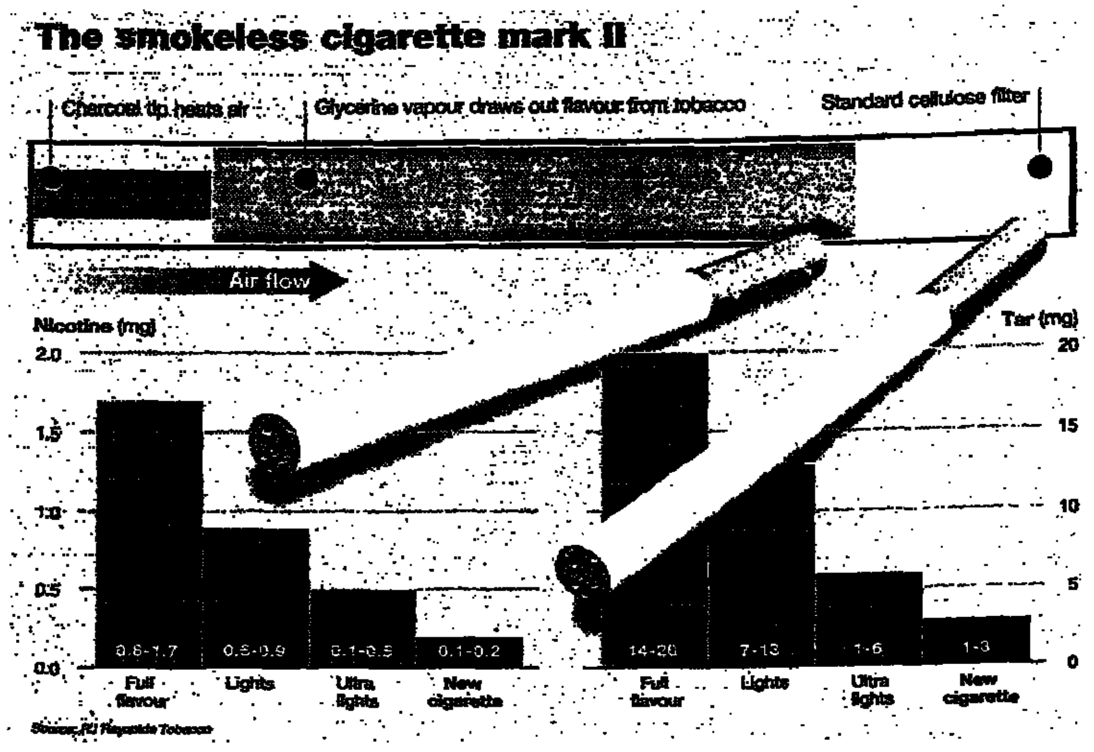
A computer model to determine the relationship between the distance travelled by the light and the absorption coefficients of the brain has been developed by researchers at the Centre for Research in Biomechanics and Biomedical Engineering at the University of Wales Swansea.

The model is based on digitised anatomical studies of adult brains, which have been scaled down to the size of infant brains. The researchers say refinements to the model will result in highly accurate measurements of brain oxygenation.

University of Wales, Swansea: UK, tel 01792 295598; fax 01792 295676.

Tobacco's holy grail

Richard Tomkins on the lure of the smokeless cigarette



There are two big problems with cigarette smoking: it damages the smoker's health and it annoys those who dislike passive smoking. Could a smokeless cigarette be the answer?

In 1988 R.J. Reynolds Tobacco, US maker of Camel and other cigarette brands, came up with a smokeless cigarette called Premier. R.J. Reynolds test-marketed it for several months before resigning itself to the fact that it had unleashed one of the biggest new product flops in US corporate history.

Yet R.J. Reynolds – like so many smokers – does not give up easily. Last weekend, it emerged that the company had been experimenting with another non-smoking cigarette, this time called Eclipse. According to one report, R.J. Reynolds was planning to launch the brand next year.

The commercial logic for such a product has bewitched cigarette makers for years. Clearly, if a cigarette could be invented that satisfied users without threatening their health or irritating other people, it would have vast money-making potential. With that in mind, R.J. Reynolds spent $325m (£210m) developing and marketing its earlier non-smoking cigarette, only to see it fail.

In its new incarnation, R.J. Reynolds's smokeless cigarette looks and feels much the same as an ordinary cigarette; it even contains tobacco. But at the lighted end, the first half inch or so of the cigarette consists of a piece of carbon in a fibreglass shell.

When the cigarette is lit, the charcoal burns at around the same temperature as an ordinary cigarette. But because the charcoal is separated from the rest of the cigarette by a heat barrier, the tobacco does not ignite. Air heated by the charcoal is drawn through into the body of the cigarette and mingles with the tobacco without burning it.

All cigarette tobacco contains small amounts of glycerine to keep it moist, but in Eclipse, the proportion of glycerine has been lifted to more than 50 per cent. As a result, when the hot air passes through the tobacco and glycerine mixture, the glycerine gradually vaporises and carries tobacco flavours, nicotine and tar to the smoker.

Apart from its construction, Eclipse has several quirks. One is that it does not burn down: instead, it lasts as long as the carbon tip keeps burning, which is about the same amount of time as a conventional cigarette. It does not produce ash, does not give off any smoke from the lit end and does not stain fingers, teeth or furnishings.

From a health point of view, R.J. Reynolds says each Eclipse cigarette produces between 1mg and 3mg of tar and between 0.1mg and 0.2mg of nicotine, compared with up to 20mg of tar and up to 1.7mg of nicotine for a full flavour cigarette. Significantly, however, there are several brands of ultra light cigarette already on the market with tar and nicotine yields at least as low as this, so Eclipse has little new to offer on this score. Its stronger selling point seems to be the lack of smoke.

R.J. Reynolds says the vapour given off by the cigarettes is almost, but not completely, odourless. When exhaled, it looks like someone's breath in cool air and disappears almost instantly. Someone walking into a room where people were smoking Eclipse would probably be able to detect only a faint aroma.

The trouble is, most of this could have been said of the Premier cigarette too. Like Eclipse, Premier worked by emitting a vapour instead of smoke. Air drawn through the cigarette passed through a burning carbon tip at the lighted end, then went through an aluminium capsule in the body of the cigarette containing beads of glycerine impregnated with tobacco flavourings. The glycerine beads vaporised and carried the tobacco flavour through cooling filters to the smoker.

Premier flopped because smokers thought it lacked flavour, and what they could taste, they did not like. There was also a strong resistance to the look and feel of the cigarette: smokers said it burned too hot and they did not like the fact that it did not burn down.

R.J. Reynolds says it is still not 100 per cent cent happy with Eclipse and is not even certain it will launch it. However, it says it is getting good enough feedback from marketing tests to indicate that smokers would welcome a reduced second-hand smoke cigarette if it tasted at least as good as their existing brand.

Many industry analysts are sceptical. "Part of the allure of smoking is the smoke," says one. "If the product doesn't taste good and you don't get that smoking sensation, it isn't going to work."

Yet times have changed since the ill-fated launch of Premier. Second-hand smoke is a much bigger issue than five years ago. In the US, pressure on smokers is mounting by the day: smoking is increasingly outlawed in public places, and there are many situations where it is not tolerated even where it is lawful.

A smokeless cigarette could not be lit in an area where smoking was banned, but it could prove acceptable at, for example, a dinner table surrounded by non-smokers. So a cigarette like Eclipse might at least hope to find a market niche among smokers who found themselves faced with lighting up a smokeless cigarette or nothing at all.

R.J. Reynolds says: "It is not for everybody. No cigarette is for everybody: that is why there are some 400 brands of cigarette in the US now. But the reduced second-hand smoke cigarette is an option, and no other manufacturer has got anything on the market like it."

Music on the cards

NEC, the Japanese electronics company, yesterday announced that it had developed a portable music player that reproduces sound from data stored on a credit-card sized semiconductor memory card.

The device, called Silicon Audio, is light and produces sound quality comparable to a compact disc. It is a solid state device with no moving parts, which eliminates problems such as unwanted vibrations or skipping passages of music. "You can jump up and down with it or drop it and it will still keep playing," said NEC.

The company believes it could take a decade before the Silicon Audio reaches the market. The cost of the cards needs to fall sharply from their current price of about £100 and the playback time needs to increase substantially from its present limit of 24 minutes before it can become a viable product.

NEC believes that the ultimate success of the Silicon Audio will depend on the availability of music suitable for the format. "It is difficult for us to claim that it will overtake other formats," said an executive. "It is the software that really counts."

The Silicon Audio is the latest of a number of new hi-fi formats to be developed, such as the digital compact cassette, a high-quality tape player which was launched by Philips, the Dutch electronics company.

The Silicon Audio system works by recording audio signals after they have been encoded and compressed onto semiconductor chips housed on a memory card. The prototype compresses a 20MHz, 770Kbit signal to one-eight of its original size, which allows 24 minutes of recording from a 32Mbyte card.

The cards use a data retrieval and storage system called "flash memory", which works like a standard dynamic random-access memory (DRAM) chip except it does not require a power supply to keep the data. The prototype player measures 127mm by 93mm by 33mm and weights 217g with batteries.

Vanessa Houlder

Music on the cards

Festival director drops the baton

The Schleswig-Holstein dream has turned to nightmare, reports **Andrew Clark**

It was a dream come true – a festival for ordinary people, set in picturesque north European landscape, mixing international stars and home-spun atmosphere. But the dream has suddenly become a nightmare.

The Schleswig-Holstein music festival, one of Germany's most successful cultural events, caught everyone by surprise last week when it announced a deficit of DM3.75m (£1.5m). The state government in Kiel – the festival's biggest single backer – pinned the blame on its founder and artistic director, Justus Frantz. As pressure mounted for his dismissal, Frantz resigned.

Frantz then began a public slanging match with the Schleswig-Holstein economics minister, Peer Steinbrück, who chairs the festival board. Frantz said he would sue the state government for defamation, and claimed he had had no responsibility for festival finances since 1992. Steinbrück accused Frantz of trying to bring the whole festival edifice down around him.

Supporters of the festival are now asking if it can survive without Frantz, whose energy, international contacts and fund-raising ability fuelled its whirlwind growth. Yehudi Menuhin and other prominent artists have voiced solidarity with Frantz, and several say they will boycott future events. Sponsors – who contributed a quarter of the DM16m budget – have also begun to withdraw. "Justus Frantz is the Schleswig-Holstein festival", said one.

Meanwhile, the state government has named a British concert agent, Jasper Parrott, as chairman of a new artistic advisory committee. The appointment has been criticised by representatives of the German music industry, who say Parrott cannot offer independent advice while he has his own artists to promote.

Although the festival always projected itself well to the outside world, insiders say problems had been building up for years. The festival was Frantz's child. Inaugurated in 1986, it thrived on his friendship with prominent musicians and politicians, including the former German chancellor Helmut Schmidt. By 1989, it was attracting 300,000 visitors, and had a budget of more than DM16m. Leonard Bernstein was its local hero, Sergiu Celibidache gave conducting classes, and quiet towns like Kiel, Lübeck and Salzau found themselves on the tourist map.

The idea was to provide a new kind of festival – one which attracted the young and concert-shy as well as the rich and knowledgeable. Concerts were given in local halls, castles and barns. The atmosphere was informal: Jessye Norman, Anne-Sophie Mutter and other big-name soloists came within reach of rural audiences. The state government was only too happy to pump money into an event which promoted Schleswig-Holstein in the wider world.

As the festival expanded, Frantz's role and controversial operating methods came under scrutiny. Frantz, 50, is a concert pianist, but his ambitions have always gone further. The festival enabled him to start a career as a conductor and music manager. He became known as a wheeler-dealer, charming businessmen into giving money, negotiating contracts from his home in the Canary Islands and hosting his own show on German television.

Frantz's critics say he increasingly used the festival to push his own career. Leading ensembles were invited on the assumption that Frantz would conduct some performances – for which he was often paid an additional fee. He began to channel sponsorship towards projects outside the festival. Last year, some members of the festival orchestra walked out. They questioned his competence as a conductor and said he was too busy juggling other affairs to devote time to music.

But the current crisis stems equally from the state government's failure to build a ladder of responsibility which would serve the festival's long-term interests. "How could such a deficit pile up without them knowing?", asked a disillusioned local volunteer this week in Lübeck. "Where was the book-keeping? Why was no-one checking the takings and matching them to the costs? It's a mystery."

In 1992 the government installed a finance ministry official as the festival's business manager. Resentful of political and bureaucratic interference, Frantz went ahead regardless. In February this year, for example, the board ordered Frantz to cancel the Kirov Opera visit – but when he pledged to find the necessary sponsorship, the contract was approved. In the end, he raised only 10 per cent of the cost, and this summer's Kirov performances lost DM440,000.

The question now is whether the state government can find a new artistic director who can stop the festival degenerating into a provincial *Bürgerfest*. Steinbrück says he would prefer a full-time manager in the mould of Gérard Mortier at Salzburg, "someone who can gather leading artistic personalities around him, without being distracted by his own ambitions as entertainer, conductor, media star and whatever else."

The new artistic advisory committee will not meet till mid-January, and will have no executive function. According to Parrott, any suggestion that the festival cannot survive without Frantz is "complete nonsense". He says there is a natural period in which artistic projects flourish before losing steam, and that the festival had reached the point when review and reform were necessary. "There is so much basic energy and potential there, far beyond any single personality. These resources need to be gathered together, rethought and properly harnessed."

Sponsorship/**Antony Thorncroft**

An orchestral success story

The Association for Business Sponsorship of the Arts (ABSA) is a two time winner from the Budget. The funding for the Business Sponsorship Incentive Scheme (BSIS), which ABSA administers, was increased by £750,000 to £5.6m. This is a sprat to catch the mackerel of corporate sponsorship and should add another £1.5m to the arts in 1995-96.

In addition ABSA will operate a new scheme which extends the BSIS to historic buildings. There is only £200,000 of government money available at the start, but any company that fancies backing Stonehenge, or a royal palace, or a stately home, or a cathedral – their structure as well as events held there – will now get a top-up incentive.

★

There is one place where arts organisations and sponsors happily embrace – abroad. It is virtually impossible for an orchestra or a theatre company to plan an overseas tour without sponsorship.

The British Council does its bit, but these days the council almost always draws in business money as well — £3.6m from sponsors in 1993-94. It recently raised an impressive £400,000 from 30 companies to take arts groups like Cheek by Jowl and the Westminster Abbey Choir to Russia during the Queen's tour.

For companies, helping to present a prestigious British arts event overseas offers unrivalled opportunities to offer key foreign contacts an evening's pleasure which could lead to contracts. The recent tour of the BBC National Orchestra of Wales to New York and Baltimore was a classic example of sponsorship in action.

The orchestra had been invited to perform the annual United Nations Day concert in the chamber of the General Assembly in New York. There was, however, no fee and the orchestra had to pay a facility charge for recording the concert and converting the chamber into a performance space.

S4C, the Welsh language television channel, stepped in to sponsor the event. It is not easy selling programmes in Welsh to foreign TV stations but such a celebrated event, plus party, gave its efforts the necessary lift. The fact that the Prince of Wales has presented one of the company's animation projects also helped.

With one concert underwritten, the orchestra looked for more dates. Next year Swansea is UK City of Literature and the Welsh Tourist Board jumped at the chance to support a Lincoln Centre concert. A trip down to Baltimore was inevitable: Cardiff Bay's regeneration plans, built around the proposed Opera House, are modelled on Baltimore, which used the arts to help revive an ailing sea port.

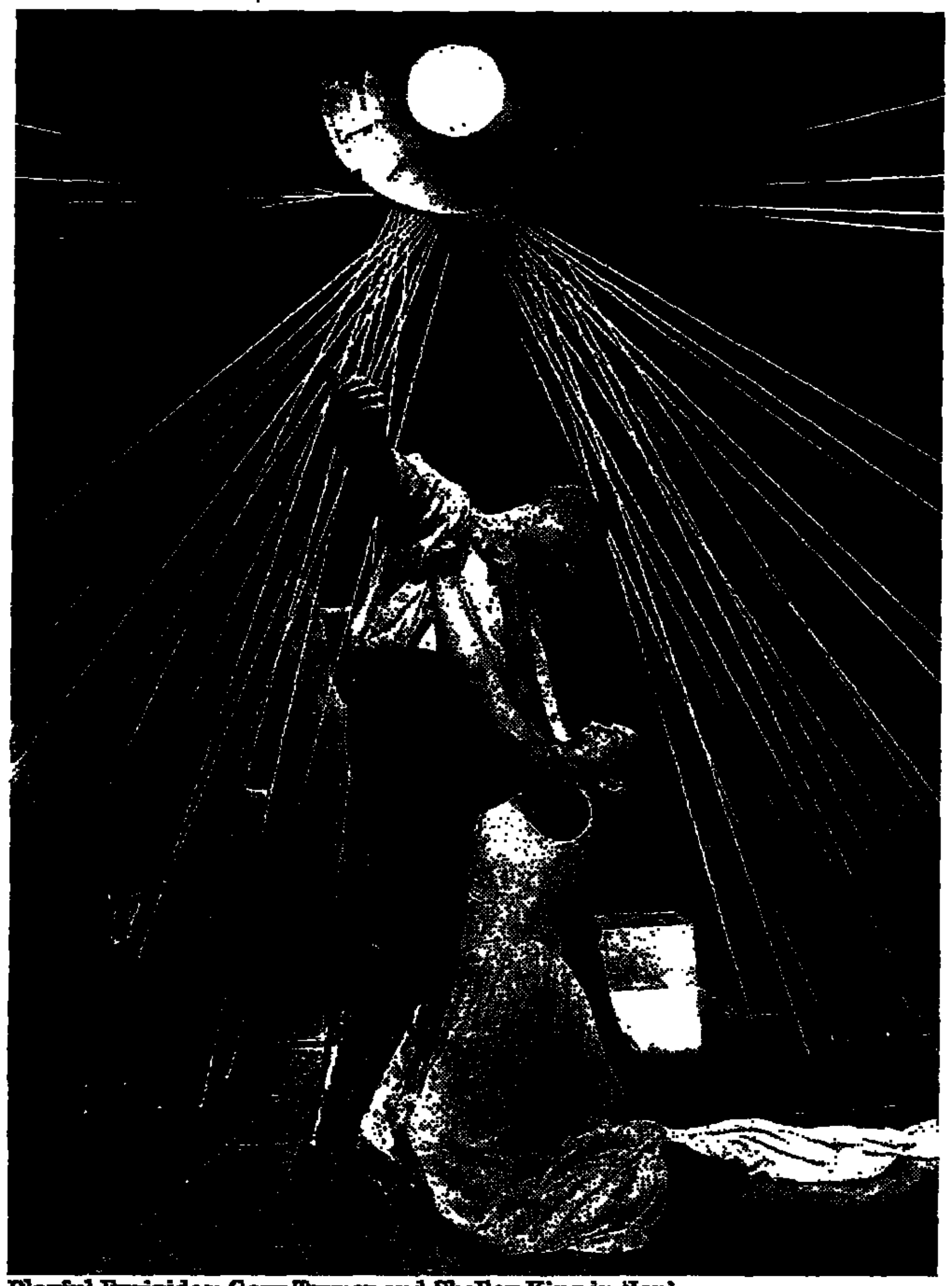
There is something worrying when the arts become the plum in the pudding rather than a dish in their own right, but the enthusiastic response to the music justified pre-concert and post-concert receptions, at which Baltimore industrialists were introduced to the commercial opportunities in Cardiff Bay and New York travel agents were sold Swansea as the new Athens. The first American tourists are already booked.

The S4C-backed tour should have delighted the heritage minister, Stephen Dorrell, since it was built around the promotion of tourism and business investment, the twin pillars of his focus for arts funding.

As the BBC and the Arts Council pursue their delicate strategy of spreading orchestral music more fairly throughout the country while saving money and avoiding rows, the BBC National Orchestra of Wales is becoming something of a role model.

By broadening its revenue base it has forged the path which vulnerable orchestras like the BBC Philharmonic and the Bournemouth Symphony will be encouraged to follow. The BBC still provides the bulk of its funding – £3m; but the Welsh Arts Council, S4C, and sponsors also contribute to the pot.

It became the first BBC band to attract substantial sponsorship – £300,000 from Hitachi, which took it to Japan. This winter the orchestra is pitching dozens of Japanese companies based in Wales in the expectation that they will fund the proposed return trip to Japan next year.



Playful Euripides: Gary Turner and Shelley King in 'Ion' Alastair Muir

Theatre/**Sarah Hemming**

Put not your trust in gods

Parental neglect, childlessness, rape – these are the themes of the Actors Touring Company's new production at the Lyric Studio, Hammersmith. Yet this is not a dour new play by a contemporary playwright, but Euripides' *Ion*. Perhaps it is not surprising then that, like its protagonist, *Ion* is now suddenly the focus of attention after languishing for aeons. Hard on the heels of the RSC's production comes this appealing, determinedly playful staging, which both stands and falls by its rough handling of the play's modernity.

As well as the striking contemporaneity of the emotional issues it tackles, *Ion* has the great appeal of brevity. Euripides dispenses with most of the story before the play opens, sending Hermes on first to fill us in, so that, when the action starts, things are just reaching boiling point.

Some years ago, we learn, the god Apollo raped Athens' Queen Kreousa. She, in shame, left the child to die, but he was rescued by Hermes and allowed to grow up in Apollo's temple as caretaker. Kreousa, ignorant of her child's fate, has been unable since to produce an heir for her husband, and so is eaten away by a double anguish by the time the play opens – just as she and King Ksouthos arrive at Apollo's temple to appeal for a child. Of course, they do not know, as we do, that the young man sweeping the steps is in fact Kreousa's son. And so the stage is set for an evening of ironies and misunderstandings that nearly, but not quite, end in tragedy.

It has to be said that Apollo comes out of all this pretty badly. In fact, as absent fathers go, he takes some beating. First he rapes a woman, then he brings the child up in ignorance as a servant. When he does allow mother and son to meet again, he introduces such confusion that they almost end up killing one another. And when all is finally resolved and Kreousa and Ion beg him to confirm his paternity, he is too much of a coward to show up and sends his sister Athene instead. As Ion says at one point, if you cannot trust the gods, who can you trust? But then, perhaps it is the mortals' haste that throws the god's plan off course; we are left to make up our own minds.

Nick Philippou's production handles Euripides' scepticism with great relish. Kenneth McLeish's jaunty, slangy translation keeps the laughs coming and pinpoints the ironies, while the production is full of funny moments. But the play's great strength is that its cynicism frames a serious, moving heart. Euripides writes with raw openness about the pain of childlessness and his three main characters are driven by yearning. Ion longs for parents, Ksouthos for a son and Kreousa, through the twists of the plot, suffers both childlessness and the anguish of having lost a child.

To begin with, Shelley King's elfin faced, passionate Kreousa expresses this grief well, striding restlessly round the stage and frequently giving vent to years of suppressed pain. But by the time we reach the central reconciliation scene between mother and son, she has left herself nowhere to go. Neither she, nor the production, can change gear fast enough to give this scene the quiet intensity it deserves and needs to really move you.

This is the price the company pays for its lively production. And there is a worry too about McLeish's translation: mostly admirably accessible and witty, it is sometimes so slangy that you feel the production is unnecessarily intent on convincing you that this is not some dusty old classic. But it is a staging full of lovely comic touches. Ann Firbank is delightful as Queen Kreousa's aged nurse, a feisty old party who would clearly be happier if she could get a transfer to one of the tragedies. "God did this. He started it. Burn down his temple," she says, rubbing her hands in outrage as she learns of Apollo's shabby behaviour. It is this affectionately playful tone that is ATC's strongest suit.

Opera in Berlin/**David Murray**

'Elektra' and 'The Carmélites'

Claudio Abbado and his Berlin Philharmonic have been preparing Strauss's *Elektra* for recording, and for performance at the next Salzburg Easter Festival. On Wednesday they unveiled the result for their concert audience at the Philharmonie, and it was extraordinary.

It is a rare opera recording that gets all the soloists originally planned – somebody always turns out to have conflicting commitments. This time, however, it is hard to believe that Abbado could have wanted any other singers. Deborah Polaski's tall, commanding Elektra displayed not only the full power of her recent Brünnhilde at Covent Garden, but a dramatic and expressive range we had only guessed at here.

Cheryl Studer, back in her best voice again, matched her with a Chrysothemis who was no kind of shrinking maiden, but lusted for a normal domestic life as passionately as Elektra wanted to wreck it. As Clytemnestra, Marjana Lipovšek offered a richly subtle study far beyond the usual croaking monster, and did it in luscious voice. As if these were not enough, we had Franz Grundheber's superlative Orestes, darkly implacable, and a elegant, uncaricatured Aegisthus from Reiner Goldberg.

Any lesser voices, exposed thus behind the band, might have been regularly overwhelmed, for Abbado gave Strauss's score its full head. The Berlin Phil played superbly; hallucinatory details sprang up from almost every page, and in the right places the noise was shattering. It was Abbado's relentless drive, however, that made this a memorable reading: daringly swift as a whole, but so well paced and long-purposed that it made an unbroken span. Rivetting, and masterly: book in haste for Easter if you can.

★

At the Deutsche Oper, there was the gentlest of contrasts: Poulenc's *Dialogues des Carmélites*, in its first German production in the original language. As you may remember, it recounts a semi-mythical tale of innocent Carmelite nuns who were condemned to the guillotine in the last days of the revolutionary Terror.

In fact the original language was the least of the merits of this staging; most the singers sounded well-coached rather than at home in it. The obvious exception was Rita Gorr, who even now wields magnificent authority and force as the dying Prioress; perhaps too John David DeHaan, an intelligent, finely sung Father-Confessor. Jiři Kout conducted Poulenc's score – a surprising one to come from him, despite the tender piety he revealed in several smaller pieces – with impeccable style and sympathy.

Günter Krämer's production is notable for its starkness and consistency, and a wealth of interesting, unevenly successful ideas. The stage is almost bare, but for a few chairs and screens, and the cast are in almost-modern dress – nothing period-picturesque. Mère Marie, the nun who survived to tell the tale, is constantly present, brooding at the forestage when not involved in the scene (which she does admirably in the person of Karan Armstrong).

The heroine Blanche de la Force is an aristocratic girl nearly crippled by pathological fearfulness, who by a cruel irony of fate chooses the Carmelite order as a safe refuge. In the earlier scenes Krämer lets the pathology spread to the staging, by way of expressionist emphasis; for a time, we see the world through Blanche's eyes. Alexandra von der Weth plays her uncannily well, and sings with touching simplicity and clarity, lacking only the experience to light up her words. So too with Heidi Person as her best friend, scatty, charming Constance.

Poulenc's last scene is an outrageous coup, irresistibly harrowing in a literal production like the Royal Opera's. As they arrive at the scaffold the sisters sing a long, beautiful Salve Regina – while their voices drop off one by one as their heads do, just offstage. Krämer makes it painlessly symbolical: in a close huddle, the singing nuns (twice too many of them) advance slowly from furthest rear-stage, two or three of them faint dead at each audible crash of the blade, like flowers dropping from a bouquet. Very balletic, quite pretty; but our hearts are not wrung.

INTERNATIONAL ARTS GUIDE

■ PARIS

GALLERIES

Grand Palais Tel: (1) 44 13 17 17

● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of Impressionists; to Jan 9

Musée d'Orsay Tel: (1) 45 49 11 11

● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Dec 2

● La Khovanschina: opera by Mussorgsky at 7.30 pm; Dec 3, 4

● Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Dec 6, 7, 9

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Noureev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; from Dec 9 to Dec 31 (Not Sun)

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Bernard Haitink conducts the Royal Concertgebouw Orchestra, with soprano Karen Huffstodt, mezzosoprano Hanna Schwarz, and baritone Csaba Airizer to perform Schoenberg and Bartók at 8.15 pm; Dec 2

● Moscow Philharmonic Orchestra: conducted by Vassili Sinaiski play Beethoven and Mussorgsky at 8.15 pm; Dec 6

● Nikolaus Harnoncourt: conducts the Royal Concertgebouw Orchestra to play Schumann and Bruckner at 8.15 pm; Dec 7, 8, 9

Het Muziektheater Tel: (020) 551 89 22

● Die Fledermaus: by Strauss. Conductor, Ralf Weikert, production by Johannes Schaaf at 8 pm; Dec 6, 8

GALLERIES

Van Gogh Museum Tel: (020) 570 5200

● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs from public and private collections; to Jan 14

■ BARCELONA

GALLERIES

Fundació la Caixa Tel: (93) 404 60 73

● Kandinsky/Mondrian: Two Roads to Abstraction. Exhibition that marks the stylistic evolution of the two painters in their early phases; to Jan 22 (Not Mon)

Museu Picasso Tel: (93) 319 69 02

● Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

■ ZURICH

GALLERIES

Kunsthaus Zürich

● Degas-The Portraits: a major new exhibition on the portraits of Edgar Degas; from Dec 2 to Mar 5

■ LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3

Festival Hall Tel: (071) 928 8800

● Choral Classic Series: Royal Philharmonic Orchestra with soloists Judith Howarth (soprano), Ruby Philogene (contralto), Ian Bostridge (tenor) and David Wilson-Johnson (bass) perform Handel's, 'The Messiah' at 7.30 pm; Dec 9

● Philharmonia Orchestra: with conductor Charles Dutoit and pianist Peter Jablonski play Tchaikovsky (piano concerto No. 2) and Shostakovich (symphony No.5) at 7.30 pm; Dec 6, 8

Queen Elizabeth Hall Tel: (071) 928 8800

● The Fall of Icarus: Multi-mediaevent inspired by Bruegel's, 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2, 3

Royal Opera House Tel: 071 240 1200

● The Fairy Queen: by Purcell, adapted in 1692 from Shakespeare's, 'A Midsummer Night's Dream'. In this performance, the play is replaced by short mimed scenes in between the Masques at 6.30 pm; Dec 4

GALLERIES

National Portrait Tel: (071) 306 0055

● Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12

Serpentine Tel: (071) 402 0343

● Rebecca Horn: major exhibition of works by the German artist including, 'Kiss of the Rhinoceros'; to Jan 8

Tate Tel: (071) 887 8000

● Turner Prize 1994: works by the shortlisted artists; to Dec 4

OPERA/BALLET

English National Opera Tel: (071) 632 8300

● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 8

● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 5.30 pm; Dec 3, 6, 9

● The Magic Flute: by Mozart. Originally produced by Nicolas Hytner, John Abulafia directs this revival with conductor Alex Ingram at 7.30 pm; Dec 2

Royal Opera House Tel: 071 240 1200

● Ashton Remembered: celebration of founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 9

● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 2, 5, 8

● Mixed Programme: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 6, 7

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 3 (2 pm)

THEATRE

Donmar Warehouse Tel: (071) 369 1732

● True West: by Sam Shepard, directed by Matthew Warchus. Michael Rudko and Mark Rylance (who swap roles on alternative nights) play two warring brothers at 8 pm; to Dec 3 (Not Sun)

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 2, 3 (2.15 pm) , 5, 9

Strand Theatre Tel: (071) 930 8800

● The Prime of Miss Jean Brodie: by Muriel Spark, adapted by Jay Presson Allen, directed Alan Strachan, Miss B. played by Patricia Hodge at 7.45 pm; to Feb 25 (Not Sun)

■ NEW YORK

GALLERIES

Metropolitan

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)

Museum of Modern Art Tel: (212) 708 9480

● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 2, 6

● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Dec 3, 7

● Madama Butterfly: by Puccini at 8 pm; Dec 5, 8

● Rigoletto: Italian opera by Verdi at 8 pm; Dec 3, 9

THEATRE

Manhattan Theatre Club Tel: (212) 581 1212

● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)

■ WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● National Symphony Orchestra: conducted by Eiji Oue play Mahler and Tchaikovsky at 8.30 pm; Dec 2 (1.30 pm) , 3, 6 (7 pm)

GALLERIES

National Gallery Tel: (202) 737 4215

● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

Sackler Tel: (202) 357 2700

● Landscape as Culture: Lois Conner travels through Asia recording architecture and landscapes with her 100-year-old banquet camera; to May 30

WORLD SERVICE

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NBC/Super Channel: FT Reports 1230.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY

NBC/Super Channel: FT Reports 1230

FRIDAY

NBC/Super Channel: FT Reports 1230

Sky News: FT Reports 0230, 2030

SUNDAY

NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730;

A star yet to shine

Andrew Adonis and **Charles Batchelor** on plans to boost the UK's private finance initiative

The UK government's private finance initiative has yet to become the talk of the town, even in business circles. But Mr Kenneth Clarke, the chancellor, gave it star billing in this week's Budget, signalling ministerial determination that *the private sector take over a* large slice of the government's investment and service delivery responsibilities.

"Privatisation and private finance are rapidly becoming the chosen method for raising the quality of public services," declared Mr Clarke. The Tory vision is for central and local government to become essentially the regulator and standard-setter for private providers of public services, from roads and prisons to hospitals and swimming pools.

Private operators may recover revenue directly from consumers, as with the Channel tunnel link, or in the form of grants from government departments or public-sector institutions such as universities. Hybrid *schemes* are also envisaged, notably public/private consortia at local council level.

When launched two years ago, the private finance initia*tive (PFI) was greeted* with a large dose of scepticism by private industry. With good reason. So far, most departments have launched only a handful of projects. Even the £5bn programme of projects for 1995 announced by Mr Clarke this week is not as significant as it seems, against a backdrop of overall cuts in state infrastructure spending. More than *half that figure is accounted for* by one project: the Channel tunnel rail link, not due to be finished until 2002.

However, privatisation started small in the early 1980s, not gathering critical momentum until the sale of British Telecommunications in 1984. The PFI could follow the same pattern.

Sir George Young, the Treasury minister directly responsible for PFI, told a packed conference of industrialists and public-sector executives last week that the "build-up period" was now drawing to a close, with take-off imminent. He and a succession of cabinet ministers stressed "imagination" as a central theme.

However, imagination is not enough. The crucial test is the readiness of private companies to tender for projects on the government's terms.

Ministers believe that the *transfer of risk to* the private sector has to be "genuine". However, as Mr Stan Webster, a partner at Coopers & Lybrand, the accountancy firm, told last week's conference, "transfer of controllable risks will improve value for money, notably where they relate to design, construction and operation. But transfer of risks outside the direct control of the private sector – which could include planning and market risk – is likely to damage value for money. And in extreme cases an unrealistic approach could make projects unbankable, damaging the credibility of the exercise in the eyes of potential operators and funders."

Another problem has been defining the scope of the PFI, said Mr Douglas Hogg, a member of the private finance panel established last year to act as a catalyst for new projects. Over the next year, private finance *will cover almost all sectors*, with only areas such as weapons systems and real tolling projects, where the motorist pays directly, excluded. Even schools may now be eligible, following recent changes which have made it easier for councils to engage in joint venture projects.

The principal of a further education college told last *week's conference* there was a "vast market" for projects in education infrastructure, but that agreement with government officials about the distribution of risk was holding up progress.

Transport projects offer the largest immediate field for private industry, and so a test of the imagination and enthusiasm of companies for the PFI. Headed by the Channel tunnel rail link costing an estimated £2.7bn, transport accounts for more than 80 per cent of the £5.26bn-£5.49bn worth of con*tracts which the government* hopes to award in 1995.

No fewer than 11 consortia comprising construction companies, banks and civil engineering consultancies put in bids for the four road schemes – valued at £380m – to be built under the "design, build, finance, operate" programme. The winning bidder will build the road and manage it for up to 25 years, in return for "shadow tolls" paid by the government reflecting traffic volumes and the efficiency of the maintenance and management.

The attraction of these schemes is that they allow construction companies to even out the fluctuations of the building cycle with relatively steady revenues from the roads they manage. Dragados, a Spanish member of one of the five winning consortia, currently makes 15 per cent of its profits from road management in Spain and Latin America, *but expects this figure to rise* to 30 per cent within a few years.

Rail schemes such as the Channel tunnel rail link, *for which* four bidding consortia have been shortlisted, also offer the opportunity to break into a sector with good growth prospects. With increasing *environmental pressures on* road building programmes, the prospects of an upsurge in railway construction appear good.

If there was an aspect of the chancellor's Budget remarks *on the PFI which disappointed* the City and the civil engineering industry, it was his failure to announce any new schemes – though these may come in ministerial announcements over the next few weeks.

"Progress has been slow and there is no guarantee that any of the schemes being included in the PFI will be built within a reasonable timescale," said the Institution of Civil Engineers. Sir George Young attributed these delays to "the problems of marrying two diverse cultures: the public *sector with its emphasis on* accountability for taxpayers' money and the fleet-footed private sector".

Companies bidding for contracts are undoubtedly driven by declining public-sector investment in infrastructure projects. That pressure can only intensify.

However, none of the transport schemes under consideration has yet reached the stage of detailed contract agreement, which leaves unresolved the question of whether contracts can be fashioned to provide *private-sector returns commen*surate with the transfer of risk involved.

Private finance initiative: building blocks

PFI contracts expected in 1995

Northern Line modernisation	£400m
Computerisation of National Insurance records	£250m
Two prisons	£160m
Four "design, build, finance, operate" road schemes	£380m
Scottish air traffic control centre	£200m
Channel tunnel rail link	£2.7bn
Docklands Light Railway Lewisham extension	£100m-£130m
West Coast Main Line modernisation	£800m-£1bn
Computerisation of Post Office counters	£130m
Fifty small health sector projects	£100m
Two Scottish sewage treatment works	£50m
Total	£5.26bn-£5.49bn

These amounts refer to capital spending (some contracts would involve follow-up spending on maintenance or operations). The figures represent total values of projects and include public as well as private finance.

THE FT INTERVIEW: Gianfranco Fini

Game player of the right

It takes a chess player to enhance his reputation during political turbulence. And with a game in progress on a large chess board by his office desk, Mr Gianfranco Fini is as dedicated a player as one is likely to find in the Berlusconi government.

The 42-year-old leader of the neo-fascist MSI/National Alliance, a key partner in Italy's rightwing coalition government, is playing the long game: cleverly, strategically and with a cool nerve.

He plans to be *the* leader of the Italian right. His immediate mission is to gain respect*ability for the MSI, long* treated as the pariah of Italian politics because of its identification with the fascism of Mussolini.

Always affable and immacu*lately neat, Mr Fini thrives on* politics.

He came to prominence last year, when he narrowly lost the fight to be mayor of Rome. His party has since moved into the *mainstream thanks* to its alliance with Prime Minister Silvio Berlusconi and his Forza Italia movement.

It has also begun working on a new identity. In January it will drop *its Italian Social* Movement (MSI) label, and retain only the less emotive National Alliance (AN) adopted earlier this year.

"The right in Italy has always been linked to fascism, which itself is an Italian phenomenon. The MSI grew out of fascism," he says. But he describes himself as a post-fascist, and says: "I'm trying to reposition the party to be the new right, but certainly not by linking it to fascism."

Nevertheless, Mr Fini faces serious problems in marginalising the hardliners who control much of the party organisation, especially in the south. Several still make the fascist salute, and have made no efforts to distance themselves from the hooliganism of nazi skinheads.

He has been urged to force these elements out, rather like the former communists who created the Party of the Democratic Left (PDS) and left the hardline rump to establish its own party, Reconstructed Communism. But Mr Fini takes a more pragmatic view.

"Some activists will certainly leave" when AN is formally inaugurated, he says. "But I don't think they would form another parliamentary party... If the *proportional* voting system had remained, this might have happened, but I think the new majority voting *system forces the formation of* large groupings – *rassemblements* – that contain often widely differing views."

Mr Fini claims it was the need to transform his party and explain it to the electorate that led him to refuse a ministerial position in the government. "It may sound presumptuous but, if I hadn't decided to dedicate many hours of the day to this problem, it would be more difficult to end the existence of the MSI and give birth to the AN." He omits to mention this also allows him to keep his hands clean and plot from outside.

'Italy is on its journey from the first to the second republic'

Mr Fini and his party, with 12 per cent of the national vote, have become an essential prop for Mr Berlusconi, providing much of the government's political knowhow. The MSI has also been astute in occupying key administrative positions in government, state entities and state *companies. In so* doing, the coalition has been pulled away from the centre to the right.

With his support base in the south, where the MSI picks up as much as 20 per cent of the vote, Mr Fini is concerned that the government's policies "must not have a negative social impact" on the region.

He insists he does not share Mussolini's corporatist view of *the state, and* endorses privatisation and the winding up of IRI, the giant state holding company created in the 1930s. But he is concerned that jobs are not lost in the south.

"Voters don't want state hand-outs; but they want the state to put in the essential infrastructure and services, and ensure that business can compete on the same conditions as in the north. This means combating organised crime, ensuring the cost of borrowing is the same and that the transport system works."

Mr Fini recognises that he could *extend his support* if Mr Berlusconi falls, by inheriting a slice of the Forza Italia electorate. But the situation is double-edged. With Mr Berlusconi gone, no-one *else* might consider Mr Fini an acceptable ally, and he could be marginalised.

He wants the embattled coalition with its five MSI min*isters to survive.* "This is the only viable government: if it falls we will either have to find another government within the existing parliamentary majority or hold fresh elections."

He *thinks it unlikely* the coalition can be enlarged. "It can only move towards the Popular party [which contains the bulk of the former Christian Democrats] – but this is split between those ready to ally with the right and those who want to go to the left."

Mr Fini does not mince his words about the third partner in the coalition government, the populist Northern League, which he describes as "an indispensable but at times impossible ally".

"Either the League reaches an agreement that allows the government to govern, or it leaves the coalition and there is a crisis." He reckons Mr Umberto Bossi, the League's leader, may seek to leave the *coalition in January* once the 1995 budget is approved.

He sees the fact that Mr Berlusconi is under investigation for corruption as a lesser issue. "The threat of him being under investigation has been there since the first day of the government; now that this has happened, the negative impact has already been absorbed.

"Besides, the main flank on which he has been attacked was his dual role as businessman and prime minister. This he is now resolving and the high point of the polemic has passed."

Whatever the fate of the government, Mr Fini sees a period of political instability ahead. "Italy is on its journey from the first to the second republic. We are in the middle of the river... I hope there are no piranhas," he says with a laugh, knowing that he may be one of them.

Robert Graham

Fini, leader of Italy's neo-fascist MSI/National Alliance

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Electricity dividends

From Professor S C Littlechild.

Sir, Michael Smith reported ("Power regulator defends his record", December 1) my comment that regional electricity companies could raise dividends by 6 to 9 per cent annually in the next few years. Taken out of context, this is misleading.

I was commenting on the distribution price control proposals which I put forward in the summer, and on the predictions of some analysts that the RECs would be able to increase dividends significantly over the next five years. *Some* people have said that these predictions mean that the price control is not tight enough. I argued, however,that future dividends will be influenced by profits from businesses other than distribution, as well as by the potential for companies to reduce dividend cover and to draw down cash surpluses which derive from profits under the existing control.

In broad terms, these factors could by themselves sustain real dividend growth of 6 to 9 per cent per year. This was not a prediction of future dividends. Decisions on dividends are, of course, entirely for the companies themselves.

S C Littlechild,
director-general of electricity supply,
Office of Electricity Regulation,
Edgbaston, Birmingham

Radio power

From Ms Tracey Mullins.

Sir, Henry Meakin says of ownership of radio stations (Letters, November 26): "It should be the duty of the Radio Authority and the national heritage secretary to take urgent steps to eliminate such restrictive ownership anomalies." The power to submit amendments to broadcasting legislation rests with the national heritage secretary. The authority has made representations to government and first submitted proposals to amend the ownership rules in January 1994. The problem appears to lie in finding parliamentary time for amendments to the law.

Tracey Williams,
The Radio Authority,
14 Great Queen Street,
Holborn, London WC2B 5DG

Aid terms endanger Ukraine

From Mr George Soros.

Sir, Ukraine is poised on the *verge of radical economic* reform. Until recently it has had no coherent economic policy: the budget deficit ran out of control, reaching 30 per cent of the gross domestic product. After a period of hyperinflation of more than 10,000 per cent in 1993, the central bank made a valiant attempt to control the money supply, but the effect was merely to leave wages and other obligations unpaid. Regulations impeded economic activity and the official economy was largely incapacitated. The GDP fell by no less than 39 *per cent in the three years* 1991-93 and a further 24 per cent in the first half of 1994. Energy supplies became intermittent while Ukraine accumulated an unpaid debt of some $6bn against Russia and Turkmenistan. The shadow economy flourished but, even so, the decline in living standards was much more severe than in Russia.

The previous president, Leonid Kravchuk, realised that the problems were bigger than his ability to cope with them and therefore did not even try. The new president, Leonid Kuchma, elected by a narrow majority on July 10, is made of *sterner stuff. He* is aware that Ukraine cannot survive as an independent country without firm direction and is ready to take tough decisions.

Fortunately, the G-7 heads of state threw a lifeline to Ukraine at their Naples summit by promising $4bn in aid if Ukraine undertakes economic reforms. President Kuchma is determined to seize that lifeline. Ukraine signed a structural transformation facility agreement worth $371m as early as September 23 and is working with the International *Monetary Fund to reach* a stand-by agreement before Christmas, which should eventually provide a further $1.2bn.

The donor organisations held a pledging session in Winnipeg on October 27, and subsequently the US committed $70m for immediate balance of payments support to be increased to $100m if the European Union provided matching funds. The funds are needed before the end of 1994 in order to assure continuing gas supplies from Russia and Turkmenistan. But within the EU, the UK, supported by France, resisted German pressure to provide matching funds. Its argument was that this would create an undesirable precedent because in the past the EU chipped in only after a stand-by agreement had been agreed with the IMF.

The issue will come up again at the Ecofin meeting of the EU on December 5. The net amount to be provided by the EU before the end of 1994 is only $20m, because $80m of the $100m is to be withheld to settle the outstanding liabilities. This $20m barely exceeds the amount I provided in aid to Ukraine through my foundations *during 1994.* Japan has made its contribution conditional on action by the European Union and so did the US to the tune of $30m.

I find it inconceivable that *the UK would allow the aid* package to unravel and endanger the survival of Ukraine as an independent, democratic and reform-minded country. The disintegration of Ukraine would have consequences too horrendous to contemplate.

George Soros,
The Soros Foundations,
888 Seventh Avenue,
New York, NY10106, US

British Gas salaries defence a bit rich

From Mr Michael Goldman.

Sir, The chairman of British Gas gives a cogent explanation (Letters, December 1) for the chief executive's pay rise, and in a free society we have to accept that people are paid what they can get – but surely what is unacceptable is the simultaneous squeeze on the lower paid.

That is largely the fault of the government's taxation policy which has not only widened the gap between the better off and the worse off, but has also depressed the living standards of the latter. This I believe to be *indefensible and* I have yet to hear in defence of it a voice even from the brazen Tory right wing.

Michael Goldman,
marketing consultant,
1 Lyndale Close,
Blackheath, London SE3 7RG

From Mr Derek H Broome.

Sir, Clive of India defended himself from charges of greed by comparing himself with other, greedier Nabobs. Mr Giordano mounts the same defence for the directors of British Gas, but at much greater length. The principles of personnel and salary administration stop at the boardroom door, because remuneration is set by equally overpaid non-executive directors and institutional shareholders.

There are many people better qualified and at least as able receiving a tenth *of the* salary and few other benefits. If directors feel underpaid, they should put themselves on the open market, and make room for new blood.

Derek H Broome,
Potters' End,
52 Wellingborough Road,
Mears Abbey,
Northampton NN6 0DZ

From Ms Lesley Ellis.

Sir, I find it fascinating that Mr Giordano sees it as important carefully to construct a long letter to defend his chief executive's increase in salary to the financial community. What a shame that no member of British Gas's board saw it as equally important to appear on the BBC's *Watchdog* to explain to its ordinary customers why it is also planning to penalise those who pay it on time but not in the manner that British Gas dictates.

But then, as Mr Giordano refutes that British Gas is an arrogant out-of-touch privatised monopoly with overpaid executives, he *will no doubt be* able to advise me where I can buy my gas elsewhere.

Lesley Ellis,
Flinders,
Pountley Copse,
Nr Alton, Hants GU34 4DL

From Mr Philip M Hall.

Sir, I thought Mr Giordano's letter a bit rich. After all, what is *he* paid as *a* part-time, non-executive chairman; and who appoints the non-executive directors anyway?

Philip M Hall,
The Hunting Box,
Patmore Heath,
Albury,
Ware, Herts SG11 2LX

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FINANCIAL TIMES

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Friday December 2 1994

Mr Zedillo starts well

Modern Mexican presidents are accustomed to taking office in the midst of economic crisis. Unlike his predecessors, Mr Ernesto Zedillo, who assumed the presidency yesterday, has the luxury of inheriting an economy which, while not without problems, is in reasonable shape. Unfortunately, the same cannot be said for Mexico's political system.

This year two political assassinations, repeated allegations about the involvement of drug traffickers in politics, and a peasant revolt in the southern state of Chiapas have undermined confidence in the Mexican political system. The year has shown that authoritarian methods of political manipulation used by presidents in the past are less effective than they were. Yet Mexico is a long way from replacing this creaky old political system with reliable government institutions.

Reform of the political system is the most urgent task of Mr Zedillo's six-year term. It is needed because political shocks upset foreign investors, who will be necessary to sustain Mexican economic growth until the low rate of domestic savings rises.

It is needed because what it would secure – the rule of law – is essential to a well-functioning market economy. It is needed to improve the lives of ordinary Mexicans, who suffer daily the arbitrary actions of those supposed to enforce the law.

In his inauguration speech, Mr Zedillo started well. His task is to place the institutions of government – in particular its corrupt judiciary, its police and its electoral system – above political controversy. Yesterday, he committed himself to "profound reform" of the judiciary, electoral reform, continued tight control over public finances and a peaceful solution in Chiapas.

Opposition figure

In choosing his cabinet, he resisted the temptation to reach into the ranks of the political old guard in an attempt to repress political opposition. His decision to appoint an opposition figure – Mr Antonio Lozano of the National Action party – as attorney-general sends an important signal that he is serious about the long-overdue separation of the judiciary from politics.

The appointment of one man, of course, cannot guarantee the rule of law. It remains to be seen if the new attorney-general can function effectively within a political system dominated by the same party for 65 years. But an important signal will be sent if he can effect progress in the investigation into the assassination in September of the PRI secretary-general, Mr Jose Francisco Ruiz Massieu.

Public confidence

To build public confidence in justice, much more needs to be done, including an overhaul of the judiciary from the supreme court down and reform of the police.

Mr Zedillo should also resist directly intervening in the affairs of Mexico's states. Too often his predecessor, Mr Carlos Salinas, used extra-constitutional powers to replace elected state governors of the ruling party in efforts to calm opposition protests at apparently fraudulent state elections. Although electoral fraud has been a serious symptom of Mexico's political ills, the president's arbitrary actions merely compounded the problem.

The answer instead is to build public confidence in the electoral system – by ensuring, as he has promised, it is run by independent officials and by stopping the ruling party's egregious outspending of its rivals and the parties' unequal access to the media. Mr Zedillo will face the first test of his attitude in Chiapas, where the guerrillas who fomented the new year revolt are threatening violence if Mr Eduardo Robledo takes office as governor next week.

The new president has appointed a cabinet largely of technocrats, educated in the US, hugely capable technically but lacking obvious support from within the ruling party. His only nod in the direction of the party's old guard was his appointment as energy minister of Mr Ignacio Pichardo, who has been accused, and denies, obstructing the investigation into Mr Ruiz's murder.

The president clearly believes first that a group of relative political novices can guide political reform; and second that there will be no backlash from the traditionalists. It is a risk, but one worth taking. Mr Zedillo has got off to a good start. Now he must make his words count.

Insuring the uninsurable

The safety net which insurance hangs under the risks of running a business is looking pretty ragged across much of the world. As insurance and reinsurance for next year are negotiated, many businesses are finding that the cost of securing cover is rising steeply. The upwards pressure on rates has been restrained by competition; reinsurance markets are currently flush with funds, partly because there have been relatively few natural disasters in the past two years. Nonetheless, some categories of risk are beginning to seem uninsurable, even where cover is a legal requirement. In others, only partial cover is obtainable.

The areas proving most troublesome to price are those where the costs are potentially huge, even if the probability of the event is low. Such cases crop up most frequently under legislation for environmental protection, and health and safety. Yesterday UK government officials and insurers met to discuss the industry's plans to limit the coverage they will offer companies against the risk of death or injury to employees, even though this could put companies in breach of employment laws.

These issues are not new. But they have grown more pressing, partly because of the size and unpredictability of damages awarded by the courts against companies. The problem is particularly acute in the US, where punitive damages are frequently awarded, and where the size of those damages can be determined by juries. In September a federal jury awarded $5bn in punitive damages against Exxon, the US oil group, for the sinking of its tanker off Alaska in 1989, even though Exxon had already spent $3bn cleaning up the coast.

Contaminated land

The spectacle of such awards has itself inflamed the trend towards litigiousness, in the US and beyond. Meanwhile, proposals for new regulation – such as the UK's plans for allocating responsibility for contaminated land, which could greatly increase companies' liabilities – have further stirred the anxiety of insurers.

The industry may well be guilty of exaggerating its grounds for concern. In particular, international reinsurers have tended to project their fears about US risk on to business in other countries, while some insurers have used the unproven theory of global warming to justify higher rates for storm cover.

Whether or not the insurers are guilty of exaggeration, these trends mean that an increasing amount of business activity could end up uninsured. One consequence is that companies which have huge damages awarded against them will more frequently go bankrupt. Another is that some businesses may be abandoned altogether.

Uncertain solution

What can be done to stitch up the holes in the insurance net? The likely liabilities may become more predictable and insurance easier to price, as courts establish a longer record of precedents. But that is a lengthy and uncertain solution. An alternative route would be for courts or legislators to limit potential punitive damages, and restrict any charges to the costs of repairing or compensating for the harm done.

Even then, some liabilities may be uninsurable – accidents involving nuclear reactors, for example. Equally, companies may find themselves unable to secure adequate insurance against certain risks – terrorism being an obvious case. The UK government picked up the difference between insurance cover and the cost of damage inflicted by terrorist bombs on City of London skyscrapers. It did so, albeit reluctantly, because of concern for the City's future. In this way, governments may be obliged to accept the role of co-insurer where the insurance industry will not accept the full risk.

The most practical conclusion, however, is that governments should give more thought to the costs of compliance when they draft legislation. US environmental and asbestos claims have, for example, already wiped out many syndicates at Lloyd's of London. If the Superfund legislation of the US on contaminated land were fully enforced, many companies, insurers and possibly even banks would shut down. The safety net provided by the world's insurance industry cannot be expanded without limit if it is not to tear.

Volvo, the Swedish vehicle manufacturer, is thriving after the collapse of its alliance plans with Renault, says **Kevin Done**

Up to speed once again

A year after the spectacular collapse of its planned merger with Renault, Volvo, the flagship of Swedish industry, appears to be in rude health.

Last December, a revolt by Volvo shareholders and senior management over the merger plans led to the abrupt departure of Mr Pehr Gyllenhammar, the man at the top of the company for more than two decades. The company looked isolated with its strategy in tatters and its future unsure.

Yet within days, the Volvo share price began to climb, and – despite fluctuations – it still stands more than 60 per cent above the level of a year ago. The company has been buoyed by a spectacular recovery in profits, with operating income jumping to SKr6.6bn in the first nine months of 1994, compared with only SKr445m a year ago.

It is an unlikely change of fortune for Volvo. The company had spent three-and-a-half years explaining that pressures in the world auto industry – such as rising development costs, globalisation and overcapacity – meant that it could not survive alone. It needed a partner, said Mr Gyllenhammar, and Renault, the French state-owned carmaker, fitted the bill.

The merger plans collapsed because shareholders and managers were concerned that Volvo had been undervalued in the deal, and that the partnership was turning into a takeover by Renault, a company that would still be under French state control.

Mr Gyllenhammar condemned the critics of his vision as guilty of "turning their backs on Europe and the world". They had "reduced the probability of Volvo's long-term survival", crushed the organisation and wounded the company, he said.

A year on, Mr Gyllenhammar's condemnation of the failure of the merger looks hollow. Volvo has bounced back, energised by what many in Sweden see as an escape from Renault's clutches.

The company is setting the pace as the European truck industry emerges unsteadily from recession. Its order book for trucks has doubled in the past 12 months and production of its Volvo brand trucks is running at a level 60 per cent higher than in the depth of the recession in mid-1993.

Volvo car sales worldwide were 18 per cent higher in the first nine months of this year, and it has increased both sales and share in most of its markets from Europe to Japan and the US.

The Gyllenhammar era was dominated by repeated attempts at diversification and alliances aimed at spreading the risks of operating in as cyclical a sector as the automotive industry. This included ventures into such disparate sectors as oil, food, biotechnology and pharmaceuticals.

Now the focus is almost exclusively automotive, and the decks are being cleared of other interests.

Deprived of the Renault option, "it was not difficult to know that this was the best strategy for Volvo", says Mr Sören Gyll, Volvo's chief executive. He is, ironically, the man brought in to Volvo in 1992 to head its non-automotive businesses while Mr Gyllenhammar concentrated on the alliance with Renault.

Earlier this year, shareholders approved a programme that will:

- Concentrate on cars and commercial vehicles (it will also retain aero and marine engine activities).
- Strengthen the balance sheet.
- Regain control over the strategic operations in cars and trucks.
- Pursue an aggressive new product development programme, while raising its cost effectiveness and exploiting more fully the strength of the Volvo brand name.

Swift progress has already been made on some of these aims. The group's non-automotive interests have been placed in a separate unit, called Fortos, with a divestment programme that should be complete by the end of 1996.

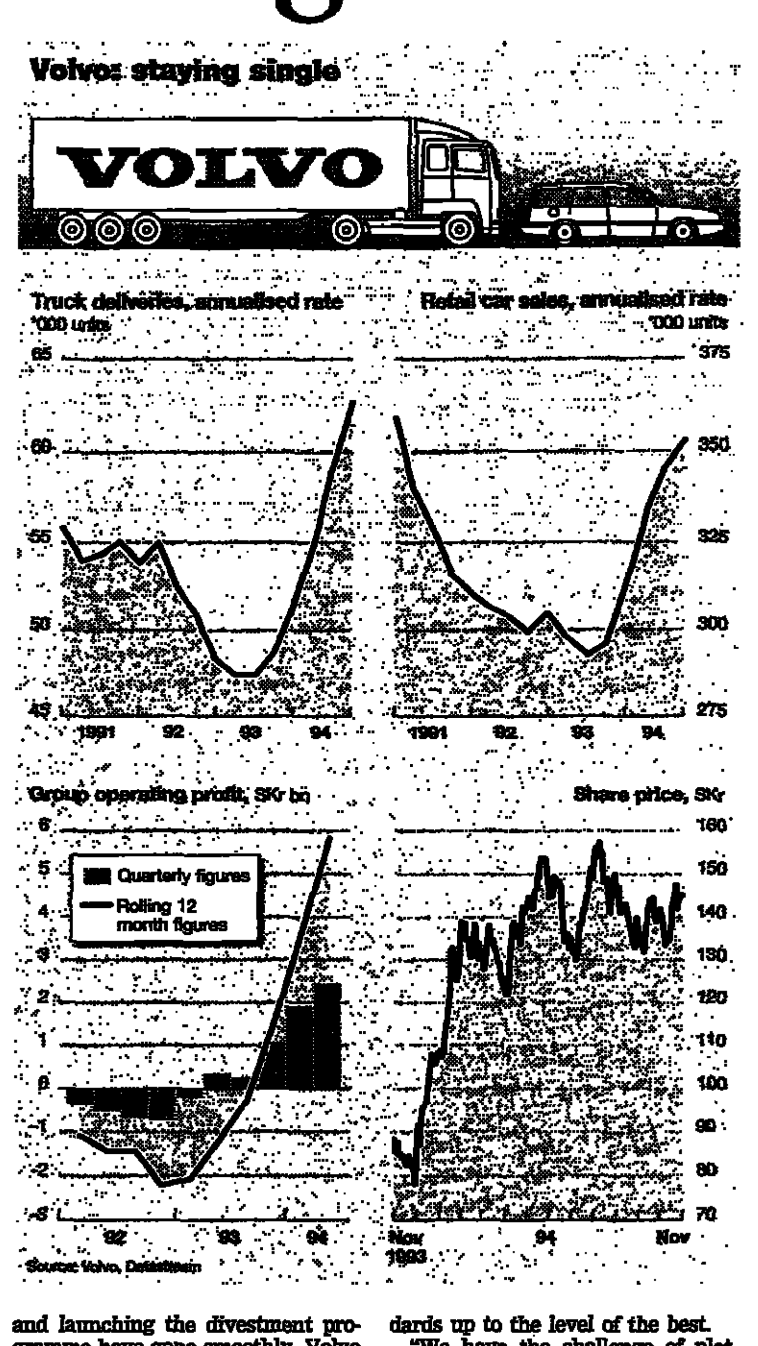
Volvo's 44 per cent stake in Cardo, the Swedish investment company, 26 per cent stake in Hertz, the car rental group, and some other activities have already been sold off, raising Skr9.3bn this year. Divestment proceeds could quadruple once the sell-off of other non-core interests is completed. These include BCP, its food and drinks subsidiary, Alfred Berg, the investment bank, and a 28 per cent stake in Pharmacia, one of the world's top 20 pharmaceutical companies.

The group's balance sheet is improving rapidly. Net debt was driven down from SKr14.5bn at the end of last year to SKr700m at the end of September. The group's equity-to-assets ratio has risen from 21 per cent to 30 per cent.

Financial strength is crucial, if Volvo is to stand aloof from big alliances and mergers. The formidable cost of developing new vehicles alone has threatened before to be the group's undoing.

"We want to be sure we have the finances available for product programmes with all the options open," says Mr Gyll. "And if we want to do joint ventures or deals, financial strength is extremely important."

Over the year Volvo has regained full control of its car and commercial operations. The recent partial privatisation of Renault allowed Volvo to buy back the 45 per cent stake in its truck operations held by the French group.



But while dissolving the alliance and launching the divestment programme have gone smoothly, Volvo is only gradually piecing together its new industrial strategy.

To prepare its next moves, Volvo has undertaken one of the most ambitious bench-marking studies ever done in the auto industry. This will compare the company's practices with the most efficient among its competitors to bring its standards up to the level of the best.

"We have the challenge of plotting the position we want to be in in the year 2000," says Mr Mats Ringesten, Volvo senior vice-president for corporate strategy and business development. "We are going through the business from A to Z."

The studies have shown that Volvo's average profitability has been "OK" over the past two decades, says Mr Ringesten, but its performance has been erratic. The vulnerability has come from the sharp swings in sales volumes in the car business and from the impact of ill-timed and inefficient new product development programmes.

For the short-term, the outlook is positive. Volvo is benefiting from the tough cost-cutting programmes it was forced to implement during the recession, as well as from an upturn in its main markets and the favourable response to new car and truck products launched in the past two years.

For the longer term, the strategies to reduce the vulnerability caused by its size and independence will not be finalised for several months. But a more aggressive direction is becoming clear – particularly in the truck sector, where Volvo has its main strength.

The truck operations are poised to embark on a far-reaching expansion in Europe and Asia. The ambitious plans include a new range of trucks to allow Volvo to enter the European light truck market for the first time.

The company is planning to establish a joint venture in China, that would add an Asian production centre to its three regional truck manufacturing operations in Europe and North and South America. Asia is Volvo's "number one priority" in the geographic expansion of truck operations, says Mr Karl-Erling Trogen, chief executive of Volvo Truck.

The way forward is more tricky in car manufacturing, where Volvo is one of the smallest producers in the mainstream car industry.

"We have a strong brand name," says Mr Per-Erik Mohlin, president of Volvo Car, "and the values of tomorrow are coming closer to Volvo in terms of safety and environmental concerns."

Volvo is strong in the "family market", he says, but it must broaden its customer base to gain more "pre-family" and "post-family" buyers. Mr Mohlin believes this can be done by developing a wider range of products, based on two basic chassis platforms, rather than the three currently in use.

"We know it is possible to develop more cars from a single platform," he says. "The trick is to utilise common components but to differentiate the products."

According to Mr Ringesten, Volvo will still seek low-level collaboration with other companies, but without the "corporate alliances with share swaps" involved in the Renault alliance.

There is already one important partnership, a joint venture in the Netherlands with Mitsubishi Motors, to provide Volvo with a replacement for its current 400 medium car range in 1996.

Mr Mohlin's task is to plot a cost-effective way of replacing the rest of the Volvo car range towards the end of the decade. It is the key to the group's future success as a focused automotive group – and it has eluded Volvo in the past.

The man is the message

Hugh Carnegy on a change of corporate culture

One of the first things Mr Sören Gyll ordered at Volvo after the sudden departure of Mr Pehr Gyllenhammar as chairman was the opening of the big double doors that lead from the lobby at Volvo's hilltop headquarters outside Gothenburg into the inner sanctum of executive management offices.

The opening of the doors, previously closed to all but a chosen few granted a coded key card, was intended to symbolise a more accessible style of management in a company dominated by Mr Gyllenhammar for more than two decades. "Such things are small details," says Mr Gyll, Volvo's chief executive. "But they send signals."

Mr Gyll is seeking a change of culture at Volvo to match the wholesale change of strategy undertaken since the breakdown of the merger with Renault. The emphasis is on openness and dialogue. Under Mr Gyllenhammar, whose authoritarian style earned him the nickname "the Kaiser", strategy and orders came from only one quarter, the top.

Since the merger fiasco, Mr Gyll has consolidated his position at the head of a senior management team that has undergone remarkably few changes given the trauma the company underwent.

Most of the present Volvo executive management team were closely involved in the merger plan, and two of its members were to have been top-level executives in the merged Renault-Volvo. Like Mr Gyll, they took part in the public battle to win approval for the merger, advocating its merits.

Yet in the end several top managers joined an internal revolt which, once endorsed by Mr Gyll, delivered the coup de grace to the merger. The way some team members quickly embraced a strategy entirely at odds with the one to which they had previously been committed might have strained their credibility, but they have retained the confidence of investors and of the new board headed by Mr Bert-Olof Svanholm, chief executive of the Swedish arm of Asea Brown Boveri, the Swiss-Swedish engineering group.

The main reason for this may lie with the burly, shirt-sleeved Mr Gyll. He was hired by Mr Gyllenhammar in May 1992 from Procordia, a food and drugs conglomerate then jointly controlled by Volvo and the Swedish state.

Under Mr Gyllenhammar's active executive chairmanship, Volvo had run through four chief executives in eight years. But by the time the Renault merger was announced in September 1993, Mr Gyll had managed to assert a strong authority over Volvo's senior managers, who responded to his straight-talking, open style.

"The management team had become Sören's team," says Mr Mats Ringesten, now head of Volvo group strategy after being brought by Mr Gyll from Procordia. "It was a Volvo team, but with Sören at the helm – and it was that total team that transformed its opinion (of the merger)."

Shareholders worried by the deep slide into losses Volvo had experienced in the early 1990s were also reassured by Mr Gyll's firm approach. When it emerged last year that Mr Gyll and his senior colleagues shared their opposition to the merger, the shareholders were happy to see them continue to manage the company.

Mr Gyll, 54, has quickly emerged as the new dominant figure at Volvo. Although his only previous experience of the motor industry was a short spell as a car salesman in his youth, his record of restructuring Procordia is said by his supporters to equip him well for the task of refocusing Volvo on its core vehicle operations and shedding its non-core interests.

Mr Gyll has been careful to avoid direct criticisms of a man who was "Mr Volvo" for 22 years. But he has no hesitation in agreeing that Volvo is undergoing a change in culture. "I hope so," he says. "At the moment we are working hard on that. A company doesn't work if it doesn't have open communication between people."

OBSERVER

Amnesia on Lombard St

■ Normally bankers just love an excuse to celebrate. The Bank of England has been having heaps of fun celebrating its 300th birthday this year. Yesterday, the supposedly canny folk at the Bank of Scotland went one better by announcing plans to spend a whopping £3m on the bank's 300th anniversary next year.

Apart from organising all sorts of good deeds in the community, the Bank of Scotland has bought a tercentenary tapestry, commissioned two special histories and organised a competition to find a new pipe tune, the Bank of Scotland Tercentenary March.

It should not be too difficult for the Scots to come up with a more memorable tune than the Geoffrey Burgon number specially commissioned by the Bank of England for its 300th bash.

All this jollity from north of the border raises the question as to what exactly happened to Barclays Bank's 300th birthday party. Depending on who you talk to, Barclays was founded in 1690 or 1692.

However, its tercentenary seems to have come and gone unnoticed, and it has crept back into its brand new headquarters at 54 Lombard Street without so much as a whiff of a cocktail party.

Not the sort of thing that would have happened once upon a time, when Barclays took pride in itself.

On the ROCs

■ Britain may not yet recognise the People's Republic of China in the political arena, but the powers that be have at last sanctioned an official trading relationship with Taiwan. At the end of the month, the Department of Trade and Industry takes over the functions of the independent Anglo-Taiwan Trade Committee, which has been busily promoting UK trade for 20 years from its office in deepest Croydon. Given that the latter fostered trade in a host of exports from Scotch whisky to railway rolling stock, and managed to create the largest overseas market for Montego cars, the DTI may find it a hard act to follow.

Jordan's crossing

■ At long last a British union boss is hot favourite to take up a full-time post in an international organisation. Bill Jordan, current president of the AEEU electrical and engineering union, appears to have secured the necessary votes to become general secretary of the Brussels-based International Confederation of Free Trade Unions.

This will come as a relief to the TUC which has been been lobbying hard to get a Brit into the job. The ICFTU was born out of the Cold War in 1949 originally as an anti-Communist front for trade unions from the western world and for a long time it was concerned mainly in battling for free trade unions in the Soviet Union. Since the fall of the Berlin Wall, the ICFTU has been trying to find a new role championing trade union rights around the world. The 58-year-old Jordan loves globe-trotting – he was in India recently on a British trade mission. But the ICFTU is more than just a source of junkets for ageing union bosses. He believes it has a vital role to play, particularly in pushing for union freedoms in the developing countries. Jordan's departure will trigger a bitter power struggle in the AEEU. The first candidate to declare an interest in the presidency is executive member John Weakley but left-winger Jimmy Airlie is also getting in trim for the battle ahead.

'It's my turn to cuddle the tortoise'

Dog eat dog

■ Andrex loo paper's famous puppy could be headed for a run-in with the TV watchdog. The latest UK advertisement, promoting "sqeezably soft" paper, shows children cuddling a newly-purchased puppy. So what?

Well, the Canine Defence League is up in arms, and there have been over 40 complaints to the Independent Television Commission, according to the trade journal Campaign. Many of the latter were worried that families might be thereby encouraged to give puppies as Christmas presents. Three accused Andrex of condoning the squeezing of puppies.

Aspirational

■ Headhunters' delight on the Mexican job market these days is Pedro Aspe, Mexico's long-standing finance minister left out of Ernesto Zedillo's new cabinet, seemingly at his own behest.

Aspe, who had aspired to Zedillo's job himself, is apparently being courted, for a lucrative 10-year contract, by Mexican plutocrat Roberto Hernandez, who runs the Banamex financial group. Aspe's availability is also engendering a certain amount of excitement on Wall Street – though it is not known if he would condescend to work for the gringos.

In any event, Aspe has not, unlike many of his predecessors, left office fabulously wealthy. So a few years on a chunky salary would presumably be welcome – allowing him, for instance, to trade up from the holiday time share he has in Puerto Vallarta.

Barley high

■ Meanwhile, the Mexican financial daily El Economista reported that the country's farmers are fully behind the choice of Arturo Warman as minister of agriculture. "Warman is recognised as someone with experience in the field" the rest of the world will be relieved to hear.

PED-cure

■ Whitehall boffins have added another acronym to their extensive lexicon. PED – preliminary exploratory dialogue – is the official euphemism for talks with Sinn Féin, set to start next week. Presumably we will know progress is being made when the boffins start referring to "ED" and eventually "D".

FINANCIAL TIMES
Friday December 2 1994

UK government to open talks with Irish Sinn Féin next week

By David Owen and Jimmy Burns in London and George Graham in Washington

The UK government is to begin talks with Sinn Féin, the IRA's political wing, on Wednesday. The move will start an important phase of the Northern Ireland peace process.

The announcement – made in a letter to Mr Gerry Adams, the Sinn Féin president, from a senior government official – came three months to the day after the IRA's ceasefire.

Decommissioning of paramilitary arsenals will be top of the agenda in the talks, intended to start bringing Sinn Féin into the political mainstream.

The Sinn Féin team is to be led by Mr Martin McGuinness, a vice-president in the organisation. Mr Quentin Thomas, the Number Two civil servant in the Northern Ireland Office, will lead the government's team. The talks will be held in Belfast, probably at Stormont.

Yesterday's announcement of an earlier-than-expected date for the talks came as the government appeared to bow to US pressure over whether Sinn Féin members would be invited to an important Belfast investment conference this month.

Several US institutions and corporations had threatened to boycott the conference unless Sinn Féin was included.

Congressional supporters of the Irish Republicans urged the US administration not to allow Mr Ron Brown, US commerce secretary, to attend the conference unless the British government invited Mr Adams.

Yesterday the government said a handful of Sinn Féin councillors would after all be invited in their capacity as members of two local council committees.

The decision is thought to have had an important bearing on the starting date of preliminary talks with Sinn Féin, in effect entailing that they had to get under way before the conference on December 13 and 14.

Ulster Unionists and some senior Conservatives were under the impression until very recently that the talks would begin only just before Christmas.

Reaction to yesterday's announcement was mixed. Rev Ian Paisley, leader of the hardline Democratic Unionist party, said the decision to hold talks with the "men of blood" was "highly resented". But the move was welcomed by Ms Marjorie Mowlam, the opposition Labour party's Northern Ireland spokesman.

In Washington, President Bill Clinton welcomed the announcement, saying that a just and lasting settlement in Northern Ireland was "finally within reach". Separately, he announced the appointment of Senator George Mitchell, the retiring leader of the Democratic Senate majority, to be his special adviser on Ulster economic initiatives.

The Commerce Department said Mr Brown definitely planned to attend the conference. Mr Mitchell will consider attending.

The issue became entangled with negotiations over Mr Adams's visit to Washington next week, although the the UK has not sought to dissuade the US from granting Mr Adams another visa.

Washington officials cautious on Ireland .... Page 8

Russia in new plea for peace as it masses troops on Chechen border

By John Thornhill in Moscow

President Boris Yeltsin of Russia last night reissued an ultimatum to the warring factions in Chechnya to stop fighting as Russian troops massed on the borders of the breakaway Caucasian republic. But he withdrew an earlier threat to impose a state of emergency in Chechnya, leading to hopes that a peaceful solution could still be found to the crisis.

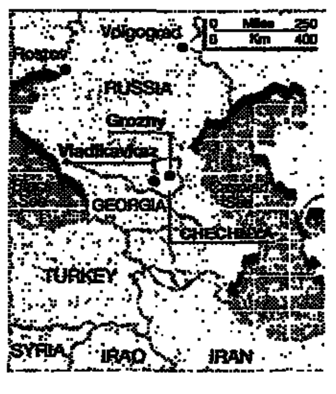
A Russian parliamentary delegation, led by Mr Sergei Yushenkov, head of the defence committee, yesterday held talks with senior Chechen government officials in the capital, Grozny. Before leaving Moscow, Mr Yushenkov said his aim was to prove that "by peaceful means it is possible to attain greater results than by using force" and to help release up to 70 Russian fighters who were captured in recent fighting in Chechnya and threatened with execution.

It is believed that Mr Yushenkov met Mr Viktor Chernomyrdin, the Russian prime minister, on Wednesday and received the government's blessing for his peace mission.

Chechnya, an oil-rich region of 1m on the edge of the Caucasus mountains, has defied Moscow's will for two centuries, boasting a tradition of fierce independence.

Despite Mr Yeltsin's ultimatum, fighting continued in Chechnya yesterday with unidentified aircraft opening fire on a disused airstrip in Grozny killing at least one person and badly injuring two children. Other aircraft swooped over the city dropping leaflets urging the Chechen government forces to lay down their arms.

But President Dzhokhar Dudayev, the Chechen leader, who declared independence from Moscow three years ago, continued to express defiance yesterday. Speaking at a press conference in the basement of the presidential palace, Mr Dudayev



read out a letter from demonstrators demanding that one Russian soldier be killed every time a warplane flew over Grozny.

According to news agency reports, Mr Shamsedin Yusef, the Chechen foreign minister, said: "We will fight until we die. We will go to the grave here."

Russia has long supported Chechen opposition forces seeking to overthrow Mr Dudayev but has refrained from direct intervention for fear of becoming embroiled in a protracted conflict. Chechnya's leaders have promised the region would become a "second Afghanistan" if Moscow sent in troops, and threatened to unleash a terrorist campaign throughout Russia.

Mr Yeltsin has promised decisive measures to resolve the unrest in Chechnya and ensure the release of the Russian captives, whose plight has touched a raw public nerve. "The president shares with all his heart the worries of the relatives....of Russian servicemen held in Chechnya," his press spokesman said.

Western diplomats in Moscow thought it significant that Mr Yeltsin's ultimatum omitted the previous threat to declare a state of emergency and suggested it either signified a toning down of the rhetoric, military disinformation, or confusion in the president's press department.

THE LEX COLUMN

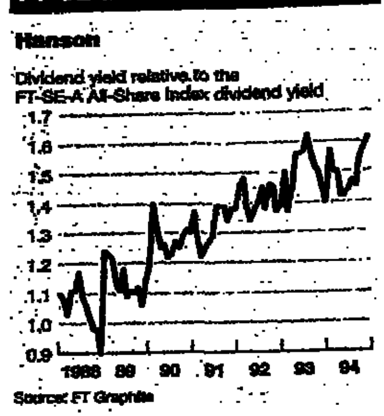
Quantum leaps

The rebound in profits at Quantum Chemical Corporation has proved stronger than Hanson anticipated when it made the acquisition last year. After appearing to lose its touch with other recent transactions, Hanson has once again timed a deal to perfection. The purchase looks set to sustain annual earnings growth for the group at well over 20 per cent for the next two years.

The problem is that the Quantum deal has brought not just short-term dynamism to Hanson's earnings. It has also turned Hanson into a more cyclical company than it was. Profits which are rising sharply will one day drop just as rapidly, if not more so. This fear has driven Hanson's shares down by 17 per cent against the market in the past year, forcing the yield to a significant premium. If earnings growth enabled Hanson to pay higher dividend increases than the market, the historic yield of more than 6 per cent would be a strong signal to buy the shares. But earnings growth is unlikely to prove sustainable beyond a peak in two to three years' time.

Moreover, post-tax operating cash-flow was only £323m – less than the dividend payment of £568m. The second half showed an improvement over the first and that is set to continue. But it is unlikely to do so strongly enough to allow Hanson to increase its dividends aggressively at the same time as rebuilding cover. Hanson's shares have outperformed over the last month and were resilient yesterday as the market fell. This is appropriate, given the group's success with Quantum. But a more far-reaching re-rating will be hard to achieve.

FT-SE Index: 3039.6 (-41.8)



Source: FT Graphite

UK electricity

Seeboard deserves two cheers for advancing shareholder interests. The first cheer is for yesterday's 21 per cent increase in its interim dividend per share. Such an increase may not have been hard to finance, given its cash pile. The temptation could have been to raise the dividend by the 17 per cent which prevailed last year. The total sum paid out has, in fact, gone up 17 per cent; but because the company also recently bought back 5 per cent of its equity, dividends per share rose more. Where Seeboard has shown the way, other electricity companies would do well to follow.

The second cheer is for Seeboard's statement that it plans to distribute all its stock in the National Grid direct to its shareholders. That is despite the fact that it will experience a "modest" cash outflow, because the special dividend to be paid to the recs from the Grid will not quite cover capital gains tax and rebates to customers. The temptation might have been to keep a few Grid shares and then sell them in the market to cover any cash shortfall. Again, all recs are so overcapitalised that they should follow Seeboard's practice. Where Seeboard was disappointing was in refusing to promise future share buy-backs or special dividends. Seeboard and other recs could easily live with gearing over 50 per cent, which would imply returning cash to shareholders much more aggressively than hitherto. One hopes the management's coyness merely reflects a desire to keep a third cheer up its sleeve for the moment.

Grand Metropolitan

There was nothing sinister about the revelation that Grand Metropolitan earned £64m in operating profits from the sale of Burger King restaurants to franchisees last year. But the figure was higher than expected and arguably should have been taken below the line as the profits did not arise from normal trading. It raised a question-mark about the quality of the group's profits from food – otherwise one of the highlights of yesterday's figures.

Strong cash-flow was another plus point, but this was outweighed by the poor performance from drinks. Here, operating profits dropped 8 per cent overall, with a fall of 4 per cent in the US. Special factors, such as a major destocking, help explain this. But the data underscored just how difficult conditions are in the international drinks markets. The pick-up in the US economy has not led to any corresponding increase in prices. They rose by a modest 1 per cent worldwide, denying the group the benefits of inflation-driven operational gearing. High marketing expenditure could not fend off the pricing pressure. The group plans to step up its marketing expenditure but so great are the competitive pressures that this cannot be expected to trigger a surge in prices.

Under the circumstances, GrandMet's lowly rating compared to Allied Domecq or Guinness is not a compelling argument for buying GrandMet's shares. A narrowing of the differential is as likely to come from a de-rating of the other companies' shares as from a revaluation of GrandMet.

3i

3i's flotation in July was launched in less than ideal market conditions. But since then the shares have outperformed the FT-SE 100 Index by 16 per cent. Europe's largest investor in unquoted companies is now priced at net asset value, compared with a 13.5 per cent discount when floated. With one exception, it is the highest rated investment trust on the London market.

So far, the stock's performance is justified. 3i is unusually conservative when valuing its assets and making provisions for businesses that might go under. That means that when divesting equity stakes, the sums it receives are on average considerably higher than book value. Such capital gains might have been undermined by the current disenchantment with flotations, but trade sales are more than compensating.

The shares have also been buoyed by its businesses' growth prospects. Small companies are expected by some to post earnings growth three times that of Footsie stocks next year and twice as great in 1996. In the long term, the group's development is underpinned by its ambition to repeat its UK success elsewhere in Europe. It has forged ahead with plans to set up a fund management scheme for several continental markets.

Concerns remain, however. The recovery may already have been anticipated in the price. Moreover, a shadow is likely to be cast over the stock by fears that the banks, which still control 50 per cent of 3i's equity, will be tempted to sell their remaining stake when they can next June.

Foreign investors boost British holdings

US money has important role in UK

By Gillian Tett and Norma Cohen in London

Foreign ownership of shares in British companies rose significantly last year, for the fourth successive year, official figures yesterday showed.

With most of this growth coming from US investors, the figures provide a further indication that the movement of US money abroad is having a significant effect on the UK market.

Britain's Central Statistical Office said overseas investors were estimated to have held 16.3 per cent of the total number of shares on the UK stock market last year. These holdings were worth about £130.2bn ($213.5bn) at the end of 1993, 49.6 per cent up on the previous year.

US investors accounted for almost half of all overseas investment in the UK market at the end of 1993. The shift abroad was part of a trend towards greater asset diversification. Total US investment rose to at least £49.2bn in 1993, up from £37.1bn in the previous year

The figures also suggest foreign investors are buying the UK shares with the highest market capitalisation.

Mr Jim Waterman, senior vice-president at InterSec Research, a US-based consulting firm which tracks pension fund investment, suggested this was because US fund managers are building portfolios modelled on stock indices. These are made up mostly of the biggest shares.

Foreign interest in the UK has risen sharply from 1992 when overseas investors owned £80.7bn worth of stock, 13.2 per cent of the total number of shares.

UK pension funds continued to be the largest owners of UK shares last year, although their holdings fell slightly.

The holdings of individual British investors fell in 1993 to 17.7 per cent of total equity, down from 20.4 per cent in 1992.

Unit trusts, which represent individual shareholders, held 6.6 per cent of all equities.

The data were collected by surveying the share registers of 79 companies, and then extrapolating the results to cover the entire stock market.

US investors turn to UK option .... Page 8

FT WEATHER GUIDE

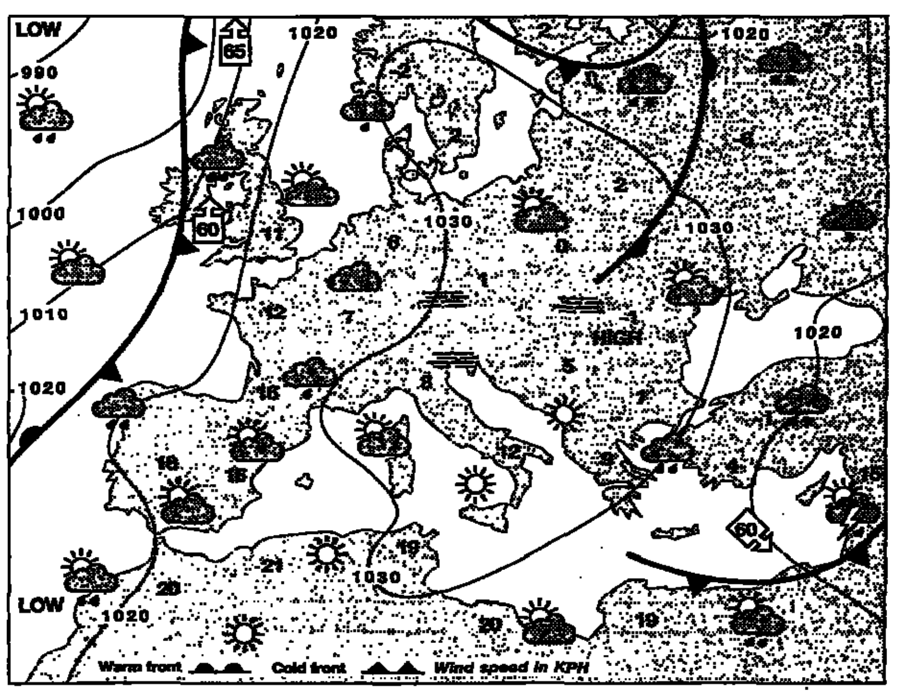
Europe today

The continent will have generally fair conditions, with light to moderate winds and plenty of sunshine. There will however be areas of persistent low cloud and fog, especially in the deeper valleys and lowlands.

England will have a mixture of sunshine, fog and low clouds as a frontal zone causes rain in Ireland and western Scotland. Wintry conditions will prevail over Russia and northern Scandinavia. Russia will have cloud with some snow. Cold air will also flow into Turkey and the eastern Mediterranean area. The Black Sea and the Mediterranean will have showers, sometimes with thunder, while on the higher ground in that region snow will fall. In a few places, a gale force north-easterly wind will blow.

Five-day forecast

Conditions in north-western Europe will become more unsettled with periods of showery rain and occasionally high winds. Afternoon temperatures will be above the seasonal norm. Conditions in the eastern Mediterranean will improve. After the weekend, it will become mainly dry with periods of sunshine. South-western Europe will have fair conditions with long sunny spells. Russia will remain wintry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	3	Caracas	fair	29	Faro	sun	19	Madrid	fair	13	Rangoon	fair	31
	Celsius		Belfast	rain	12	Cardiff	cloudy	11	Frankfurt	fair	5	Majorca	fair	19	Reykjavik	rain	7
Abu Dhabi	sun	28	Belgrade	fair	1	Casablanca	fair	20	Geneva	fair	9	Malta	sun	17	Rio	fair	23
Accra	sun	32	Berlin	fog	2	Chicago	fair	13	Gibraltar	fair	17	Manchester	cloudy	10	Rome	sun	15
Algiers	sun	21	Bermuda	fair	22	Cologne	cloudy	8	Glasgow	cloudy	10	Manila	thund	30	S. Frsco	rain	13
Amsterdam	cloudy	6	Bogota	fair	22	Dakar	sun	28	Hamburg	fair	3	Melbourne	fair	28	Seoul	fair	4
Athens	shower	9	Bombay	sun	33	Dallas	rain	24	Helsinki	fair	4	Mexico City	fair	22	Singapore	rain	30
Atlanta	sun	18	Brussels	hazy	7	Delhi	sun	24	Hong Kong	fair	25	Miami	shower	29	Stockholm	fair	5
B. Aires	fair	24	Budapest	fair	2	Dubai	sun	29	Honolulu	fair	27	Milan	fog	7	Strasbourg	hazy	7
B.ham	cloudy	9	C.hagen	fog	3	Dublin	rain	12	Istanbul	shower	4	Montreal	fair	5	Sydney	shower	21
Bangkok	fair	33	Cairo	shower	16	Dubrovnik	sun	13	Jakarta	cloudy	31	Moscow	snow	-5	Tangier	fair	20
Barcelona	fair	17	Cape Town	sun	23	Edinburgh	fair	9	Jersey	cloudy	10	Munich	fair	4	Tel Aviv	thund	14
									Karachi	sun	31	Nairobi	fair	25	Tokyo	shower	16
									Kuwait	fair	21	Naples	sun	14	Toronto	fair	7
									L. Angeles	sun	20	Nassau	shower	28	Vancouver	rain	5
									Las Palmas	fair	24	New York	sun	13	Venice	fog	9
									Lima	cloudy	22	Nice	cloudy	15	Vienna	hazy	2
									Lisbon	fair	18	Nicosia	thund	12	Warsaw	cloudy	0
									London	hazy	10	Oslo	fair	-2	Washington	sun	16
									Lux.bourg	hazy	5	Paris	fair	10	Wellington	shower	14
									Lyon	fair	12	Perth	fair	27	Winnipeg	snow	-2
									Madeira	shower	21	Prague	hazy	1	Zurich	sun	7

هكذا من الاصل

Jobs: Preparing expatriate packages is challenging the expertise of human resource management

Overseas gravy train may be running out of steam

Expatriate employment deals – once one of the best ways for individual employees to get rich on their own account – appear to be undergoing something of an upheaval across Europe among many multinational companies, according to the findings of some recent reports.

Renting out your house while you are away, living off expenses and paid schooling for the children have all been traditional ways of saving money when on expatriate assignments. But companies, increasingly aware of such costs and savings, are becoming more interested in taking them into account when preparing expatriate packages.

Prof Chris Brewster, professor of European Human Resource Management at Cranfield University School of Management, said: "People are realising that the whole deal is negotiable and that factors other than cost of living may be involved."

Expatriates, he said, tended to cost four times more than the outlay for local staff.

"These are the most expensive of employees but probably less time is spent strategically thinking about their roles than on anyone else in the staffing system," he said.

An Ernst & Young report, drawn from a survey of some 427 multinational companies with operations across Europe, found many employers were cracking down on the packages as they expanded their expatriate workforces.

A third of the employers said they expected to be changing the basis for paying their salaries, mostly moving towards paying host country rates often lower than those at the home base. Almost half the employers said they expected more of their expatriate employees to accept host country contracts within the next three years.

Michael Kaltz, a partner at Ernst & Young specialising in expatriate services, said companies were placing "tremendous emphasis" on reducing the cost of traditional expatriates. He said: "The normal practice of retaining expats on home country packages will become a thing of the past as employers integrate expats into the local workforce."

About 40 per cent of the employers wanted policy changes on expatriate career development to address such issues as cost containment, dual careers, repatriation, moves within Europe and taxation. "Companies have to give more thought about what their individual expatriate employees are going to do when their assignment is over," said Kaltz.

Ernst & Young also gave an insight into some of the other deals made available to expatriates. Of the companies offering a pre-assignment trip, 62 per cent included the partner and 21 per cent the whole family. Almost all the employers provided home leave visits, with 15 per cent of them offering more than one paid home visit per year.

Nearly six in 10 of the employers expected their expatriates to contribute to their housing costs abroad. However, more than three-quarters of employers said they did not adjust pay to reflect a lower cost of living in a host country. Most provided additional health care and the vast majority provided educational assistance.

The underlying message from the study is that companies are at last waking up to the changing nature of expatriate employment and its strain on the corporate budget.

Managements working on overseas assignments are also beginning to display greater awareness of the need to balance the social demands of families, not least those of the working wife. The costs of getting it wrong, both in potentially wrecked careers and to the company in moving people back, can be alarming.

A Europe-wide survey carried out for Mobile Europe by Employment Conditions Abroad, consultants on overseas assignment packages, found employers increasingly more willing to recognise the social and domestic concerns of employees sent abroad, such as care of elderly parents and children's schooling. Foreign postings were becoming shorter and employers more flexible in the way they put their packages together, it said.

Some 72 per cent of almost 200 who replied to the survey said they would now pay the cost of transferring non-married partners overseas, although no more than a quarter were yet willing to accept same-sex partners when staffing assignments.

Cranfield has found that many of the largest multinationals, including the oil companies, are trying to reduce their reliance on expatriate staff, recruiting more local expertise where they can. At the same time, more smaller companies are expanding overseas, adding perhaps one or two expatriate posts on staff.

The type of people taking expatriate assignments is changing too. Still predominantly male, they are tending to have better qualifications than previously, often possessing Master of Business Administration qualifications. Many also have wives pursuing careers, who do not see why they should drop their own jobs to follow their husbands abroad.

Such developments are leading to far more businesslike discussions between managements and prospective expatriate staff. Bargaining is becoming more common and market forces can have a decisive influence in recruitment decisions. For example, bio-technology graduates are in short supply in the UK compared to those in Italy; so at least one UK-based company is taking on Italians for bio-technology posts. It can get them for less than it would need to pay UK candidates.

A need for better human resource management in the preparation of expatriate employees emerged in recent research carried out by Cranfield and the Centre for International Briefing at Farnham in Surrey. It discovered "a serious lack of knowledge about local business environments" among 205 large company senior managers moving overseas. About 70 per cent of them wanted more pre-departure training on local business law and practices. Most of those going outside western Europe and English-speaking countries were worried that they had received no host country language training.

While you have to wonder at the advisability of appointing anyone who thinks it is easy to ask a Moslem his Christian name – an admission of one of the respondents – one can sympathise with the manager who arrived in Tokyo and found to his consternation that a crash course in Japanese prior to going there was essential for such basics as shopping and travelling.

Managers were asking for "nuts and bolts" training covering law, dealing with business partners, local nationals and ordinary business etiquette. They stressed that preparation was equally or even more important for transfers to similar cultures, often because of different bureaucracies. The paperwork and permits demanded in the US were a common source of anguish.

A manager summarising a common lament in a part of the survey questionnaire left for general remarks, wrote: "One learned much on arrival. If we had known about some of it before, we might not have come."

A summary of the Ernst & Young report is available free from the firm, phone Sue Griffiths, tel 931 2618.

The ECA managing mobility survey is available, price £400, from Amanda Dook, tel (0)71 351 7151.

Details of the briefing report can be obtained from the Director of Marketing, The Centre for International Briefing, Farnham Castle, Farnham, Surrey GU9 0AG

Richard Donkin

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In order to enhance its global presence in interest rate swaps and options, we now wish to appoint 2/3 Japanese Graduates. Ideally, you will have a sound knowledge of the financial markets, however, not necessarily in derivatives. For recent graduates and applicants in other fields, a full training programme in derivative products will be structured. Openings are available in all three centres.

For an immediate interview please contact Nigel Haworth. Tel: 071-236 2400, Fax: 071-236 0316 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

ABC International Bank plc

Established in 1991 as the U.K. based flagship of the ABC Group in the western hemisphere.

As part of its future expansion plans focused towards servicing the treasury requirements of the Arab world from the London time-zone, the bank is now interviewing candidates for the following two positions:

SENIOR TREASURY SALES MANAGER.

The successful candidate is likely to be currently employed in a similar function with a major financial institution. The person should have a minimum of five years treasury sales experience including a managerial role. The candidate should be well versed in all aspects of the foreign exchange, money and derivatives markets. Preference will be given to individuals who have previous working experience with Middle-Eastern institutional and corporate clients and to those who have Arabic language skills. However a great amount of importance will also be placed on an individual's demonstrated past ability to organise, develop and lead a small sales team and to effectively integrate these activities into the trading and other product areas of a global commercial bank.

FOREIGN EXCHANGE TRADER.

The successful candidate will have gained a minimum of three years experience in trading the spot foreign exchange markets and probably within the environment of a smaller/medium size financial institution. The person should be a self starter and be able to demonstrate a solid and profitable trading track-record in a multi-currency environment combined with some exposure to the forward and currency options markets. The candidate is likely to be in the age range of 25-32 years of age.

The bank offers a competitive salary and attractive benefits package.
Interested candidates should write enclosing a career resume to:

Andrew Pointon, DGM & Treasurer,
ABC International Bank Plc,
1-5, Moorgate, London. EC2R 6AB

Global Fixed Income Fund Manager

Highly Attractive Salary + Bonus + Benefits

We represent a rapidly expanding Investment Management House which has won many awards for its outstanding performance. The company has over $3bn in funds under management.

Due to its continued success, the organisation now requires a high calibre individual to join the Fixed Income division. Suitable candidates should have at least five years experience in managing global bonds, currencies and possibly a small team. You should be able to demonstrate a good track record and an understanding of both retail and institutional funds.

A first class academic background, coupled with a sound knowledge of the fixed income markets, is essential. This is an outstanding opportunity to join one of the most successful organisations within this market and to be a part of the firm's future development.

For a confidential discussion please contact Patrick Morrissey. Tel: 071-236 2400, Fax: 071-236 0316 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

POWER PROJECT DEVELOPMENT OPPORTUNITIES

We are the London based independent power development subsidiary of a major UK engineering and power generation equipment organisation. Our expanding domestic and international project development programme has created career opportunities for experienced professionals in critical areas. If you are highly motivated, aggressive, with a proven record of success and the experience to meet the position qualifications, we would like to receive your C.V.

Marketing Development Manager

We are seeking an individual to lead our international marketing development efforts. You will be the point person in identifying and evaluating emerging markets for independent power, in developing and implementing the programme for selected markets and in securing opportunities to develop independent power projects.

This position requires an experienced marketing or sales professional with international experience in independent power development, or in the supply of power generating systems, equipment, or construction services, who must be able to work independently or as part of a team. Solid technical and commercial skills with the ability to effectively negotiate complex agreements are essential.

Project Development Managers

Individuals selected for these key positions will manage the development process from project inception through to financial closing, including negotiating project agreements, such as power purchase, fuel supply, EPC and O&M contracts, securing all regulatory, administrative and environmental approvals and working closely with the Project Finance group to structure and arrange the financing.

These positions require strong technical and commercial skills, with a credible track record in the independent power business and a demonstrated ability to lead a development team which achieves results in a professional manner.

Technical Director

We are seeking an experienced manager with in-depth knowledge in the design, construction and operation of fossil fuelled generating systems, who is proficient in performing feasibility and techno/economic studies, has the ability to work closely with resident and third party engineers, has comprehensive technical knowledge of power generating systems and has strong commercial and leadership skills.

Your responsibility will be to provide overall technical guidance to the Project Development and Project Finance groups in every phase of the development process including the evaluation and selection of generating systems, optimizing cycles, preparing fuel specifications and the technical input to EPC and O&M enquiry packages. The Technical Director will also assist in the preparation of proposals, provide technical oversight during development, construction and project operation phases and will select and manage the efforts of outside consultant and engineering firms.

These positions require formal technical and/or financial education. Specialized related training will be a plus.

We are an Equal Opportunity Employer. We offer competitive base salaries, attractive incentive compensation potential based on group and individual performance and a range of fringe benefits.

Extensive international travel may be required.

Send your C.V. with a covering letter to: Box A5010, Financial Times, One Southwark Bridge, London SE1 9HL.

If there is any organisation to whom you do not wish your C.V. to be sent, please make this clear on your application.

Career opportunities in....

ASSET MANAGEMENT

We continue to see opportunities for experienced high calibre Fund Managers who can offer above average performance in a variety of markets. We believe that further opportunities will arise in the coming months. Current assignments include:

European Equities	-	Head of Department	£100,000
	-	Senior Fund Manager	£ 50,000
	-	German Specialist	£ 45,000
Global Equities	-	Index Funds	£ 50,000
	-	International Funds/ Marketing	£ 40,000
Emerging Markets	-	Asia, Africa, Middle East	£ 35,000

For details of these and other opportunities, please contact Martin Symon at the address below

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

ASSISTANT FUND MANAGER

Age 24-29 — *Dublin IFSC*

This medium sized Fund Management and Insurance Management Company, established in Dublin's IFSC 5 years ago, are expanding their fund management team by the appointment of an Assistant Fund Manager.
The successful candidate is likely to be a graduate with a minimum of two years experience in institutional fund management or active sales/trading in the European bond/currency markets.
Additional advantages would be either exposure to derivatives, IT implementation skills or a proficiency in German.
The company will provide a competitive remuneration package, designed to attract high calibre individuals. Please send your CV by 7th December to:

ICO

Jim Kirwan
ICO Personnel
Management Services
132 Lower Baggot Street
Dublin 2
Fax: +353 1 676 8327

INVESTMENT BANKING
Spain

Experienced financial analyst, with established network of contacts and currently revenue producing client base, seeks appointment with distinguished London-based financial house with the aim of making available investment banking services and financial advice to medium size Spanish unquoted companies, institutional investors and private individuals.

Replies in the strictest confidence to Ph: 34-1-5720360 Fax: 34-1-5707199 Edificio Cuzco IV, Paseo de La Castellana 141, 28046 Madrid, Spain. Ref: Investment Banking Spain

إكسا من الاعمال

Up to US$150,000 + equity/partnership potential — *Asset Management Joint Venture* — *Bombay*

Chief Investment Officer

Unique entrepreneurial position for an experienced fund manager to play a pivotal role in developing an asset management franchise in the exciting and expanding domestic Indian capital markets. This new operation is backed by a market leader in emerging markets asset management and a blue-chip Indian conglomerate with significant international interests. These two partners together bring international asset management expertise and considerable local influence and knowledge. The future prospects for the growth of this business are outstanding.

THE ROLE

- Work as part of a core team with the Chief Executive and Joint Venture partners in defining future strategy, product development and growth opportunities.
- Launch and manage a series of funds targeted at local retail and institutional investors, and non-resident investors. Develop a high-quality investment team with a strong research culture.
- Act as a local advisor to the substantial international India fund managed by one of the JV partners, and support the marketing activities of the firm, both locally and internationally.

THE QUALIFICATIONS

- Experienced international fund manager, probably aged mid 30s, with a sound performance record with a major institution in the US, Europe or Asia. Exposure to the emerging Asian markets is preferable, particularly the Sub-Continent.
- Proven familiarity with top-down asset allocation and bottom-up stock selection techniques. Disciplined investor who can bring international expertise and conviction to a developing market.
- Stature and credibility to launch new funds. Energetic and adventurous personality with creative mind. Proven leadership qualities.

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Please reply with full details to: Selector Europe, Ref. 77009114L, 16 Connaught Place, London W2 2ED

International Project Financing

To £50,000 + Benefits — **London**

THE COMPANY
- Major International power business.
- Building a leading position in the global independent power market.
- Established track record in innovative financing of projects.
- Strongly resourced and committed to rapid growth through greenfield investment and acquisition.

THE POSITIONS
- International Corporate Treasury. Structure and raise debt and equity financing for major projects.
- Extensive involvement in negotiation, financial risk mitigation and project implementation.
- Opportunity to extend expertise in international financing. Extensive exposure at senior levels within the company and with JV Partners, financial advisors, MLAs and ECAs.

QUALIFICATIONS
- Relevant experience of project or corporate finance acquired in either the corporate sector, a professional firm or banking.
- Outstanding graduates with relevant professional qualification or MBA. International experience highly desirable.
- Excellent financial, analytical and numeracy skills. Ability to solve complex problems. Team player.

Please send full cv, stating salary, ref CN4731, to NBS, 10 Arthur Street, London EC4R 9AY

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Investment Analyst

Stores/Textiles

Kleinwort Benson Securities is a major UK securities house with highly regarded research which is distributed internationally to institutional clients. We are looking for an analyst to work with our Stores/Textiles team.

As a well qualified graduate, MBA or ACA you are likely to be aged around 25-30 with City experience. Thorough industry knowledge is desirable. This could have been gained within the industry, for example through strategic planning or business development, as an analyst, or through corporate advisory work. Strong analytical, written and communication skills are essential as is the desire to produce and market research which will become recognised.

If you are interested in this position please write to Carol Booth in Group Personnel at Kleinwort Benson Limited, 20 Fenchurch Street, London, EC3P 3DB.

Kleinwort Benson Securities Limited

MARKET RISK ANALYST

Fixed Income Derivatives

(Growing range of Swaps, Options & Structured products)

Our client is a newly restructured part of one of the fastest growing and highly rated financial institutions in London. The derivatives sales and trading teams, which have been brought together, are well established in the market for Swaps and Interest Rate Options in a wide basket of currencies. They also have extensive experience of the products as a *USER*.

Furthermore, with a reputation for responsiveness and innovation, the client is committed to the aggressive development of global derivative products and risk management services for a rapidly expanding international client base.

Clarification and communication of the market risk implications of the company policies and commercial targets, is the thrust of this new role which will work as part of a small team reporting to the Operations Director and liaising with all major influencers.

Working on and administering policies for, inter alia, limit structures; risk parameters, including "value-at-risk", success will be measured by creating the right (but flexible) balance between constraining market risks, whilst enabling dealers to meet their ambitious profit growth objectives.

Significant previous experience in a market risk department is as important as a robust mathematical background, together with the personality and "energy" to cultivate a highly rewarding and enjoyable career – starting with a very high visibility position.

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29 Pall Mall, London SW1Y 5LP
Telephone: 071-321 0396 Fax: 071-976 1116
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Please write to Peter Willingham, quoting reference number 889, in the strictest confidence.

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UK EQUITY ANALYST/ MANAGER

Scotland — *Team leader* — *to £50,000+ Benefits*

Our Client is a successful and rapidly expanding Fund Management Group with offices in the UK and overseas. They believe the principle of investing for growth applies equally to new recruits as funds under management.

Based in Scotland, you will report to the Investment Director and will be responsible for a small team of UK Equity Analysts.

Candidates are likely to be graduates with a minimum of 5 years working experience of equity analysis gained within a fundamental asset management institution or securities house. An aptitude for people management and Membership of the IIMR are desirable.

This is an important appointment within a highly progressive group and carries a comprehensive remuneration package including performance related bonus.

Those interested should send their Curriculum Vitae (including current package details) to: Richard A Fletcher, Managing Director, Fletcher Jones Ltd., 10 Castle Street, Edinburgh EH2 3AT. Telephone: 031-226 5709. Facsimile: 031-220 1940.

FLETCHER JONES
search and selection

EUROPEAN INVESTMENT BANKING COMPLIANCE OFFICER - SALARY NEG

The company is a recently established securities house providing traditional investment banking products and services as well as specialist advice to clients seeking financing and asset management within Europe and the Emerging Markets.

As part of the core management team, the company wishes to recruit a Compliance Officer who will take functional responsibility for ensuring that all business practices and products adhere to SFA and IMRO regulations. The successful candidate will also supply practical input and technical advice to senior management concerning the Compliance implications relating to policy and strategy decisions.

Candidates, probably graduates with a professional qualification, will have at least three years' experience in the management of a relevant Compliance function. An in-depth knowledge of all Compliance regulations and experience in dealing with the appropriate regulators is essential, as are first class communications skills and a disciplined approach.

For further information, please telephone or write in strictest confidence to Alex Steele.

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NatWest Markets is the worldwide corporate and investment banking arm of the National Westminster Bank Group, one of the biggest and best capitalised banks in the world.

Our Global Currency Options team is regarded as the UK's leading player in global derivatives and a force to be reckoned with.

This is not the easiest career option you could ever choose. But then, if you wanted an easy option, you wouldn't consider working for us in the first place. Demanding yet satisfying, fun yet serious, our way of working certainly gets results.

Expansion of the team means that for top graduates looking for their first or second job, we now have opportunities in Options Sales.

The list of qualities we demand will mark you out as quite exceptional. As well as an excellent degree and outstanding numeracy, you will be fluent in several European languages and have the intellectual capabilities to work with the best of your peers.

You'll also need to be practical, analytical, methodical and very competitive. Given such qualities, you will take on significant responsibility in an exceptionally short time.

Just how quickly is determined by how you respond to the challenge. For more information, please write with a full CV, quoting ref: 118, to Alastair Lyon, Response Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Closing date: 12th December, 1994.

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Tonbridge, Kent relocating to West Malling, Kent

CAF is a registered charity which exists to increase in both volume and tax-effectiveness the flow of resources to charities by providing financial banking fund management and information services to donors and charities. CAF operates on a national level and, more recently, is working productively internationally.

The Trust Department controls trust funds approaching £60 million plus a net inflow of £20 million per annum. The postholder will be expected to expand on this success.

Previous management experience within a Trust environment, and extensive knowledge of trust work, trust taxation and legacies is essential. Experience in accountancy would be advantageous.

Candidates require a confident and direct approach, well developed presentation and interpersonal skill and must be computer literate.

For further details please send a CV to: Linda Jordan FIPD, Personnel Manager, by 12th December 1994.

Interviews will be held on 4th & 5th January 1995.

Reply to:

Charities Aid Foundation,
48 Pembury Road, Tonbridge, Kent TN9 2JD.

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Following their recent announcement, we congratulate our coMPetitor on their half-year profit increase of 177%. However, we are pleased to report that in the same period, Jonathan Wren's profits rose 208%.

We hope you will agree this makes it iMPerative you call us first if you are seeking a new position in financial recruitment.

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FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Philip Wrigley on +44 71 873 3351

Bond Trader

Leading merchant bank

This leading international merchant bank runs international treasury markets operations which provide clients with full round-the-clock coverage of the world's treasury markets. These activities cover all the traditional treasury instruments, including spot and forward exchange and related options, money market instruments in all major currencies, and a full range of interest rate derivatives. The bank is also a world leader in precious metals trading.

The bank's treasury division is currently expanding its interest rate activities, and consequently seeks to appoint a Bond Trader with around three to four years' relevant experience to develop its business in the bond market.

Graduate-calibre candidates must also demonstrate the broad knowledge of other financial instruments that will enable them to introduce new trading strategies.

The remuneration package will include all the benefits associated with a prestige financial institution. There are also excellent prospects of further career advancement.

To apply, please send your full cv (including details of present remuneration) to Media System, Garden House, Cloisters Business Centre, 8 Battersea Park Road, London SW8 4BG, quoting ref: 11603/FT on the envelope. Your application will be forwarded directly to our client for detailed consideration, unless marked "security check" and noting separately any companies to which it should not be sent.

MEDIA SYSTEM

TURKISH EQUITY ANALYST

Our client, a major European bank, seeks an Analyst to analyse the Turkish economy, stock market and companies and support the Primary Equity and Investment Banking Group in obtaining mandates in the Turkish public and private sectors.

The successful candidate will be educated to degree level in a relevant subject at a top western university and will be perfectly bilingual in spoken and written Turkish and English. The candidate will have at least 5 years professional experience in Turkey including working within Turkish corporate fiscal and accounting regimes including hyper-inflation area accounting. He/she will also be expert in the use of financial analysis, forecasting (including cash flow forecasting) and valuation skills to both US and European standards. Experience in both a multi-national and local environment would be a distinct advantage, as would fluency in another European language.

The candidate is expected to have the potential, over time, to develop a small team of support staff to assist with expanding business in this sector and possibly other emerging markets. Prior experience in man-management would therefore be preferable.

Please write, enclosing your curriculum vitae, quoting Reference TEA304, to Steve Garlick at GMBM, 27 Floral Street, London WC2E 9DP.

Banking Personnel

Head of Corporate Dealing Foreign Exchange

Cambridgeshire c£30,000 plus Incentive Package

Our client is a premier global company with an internationally recognised brand. The position is within a highly successful team who deliver financial services to the corporate market. As a result of continuing expansion and growth the company seeks to appoint a highly motivated and target driven individual to head up the corporate dealing team.

The responsibilities of this demanding career role include:

- Implementing and monitoring the best dealing practice including risk and pricing management.
- Leading and motivating a team on excellence of customer service and successful deal decision-making.
- Inspiring trust and confidence in both corporate decision makers and fellow team players.
- Contributing to the management direction of the team and the growth of the business.

The successful candidate will have proven experience in dealing with Corporate Customers with a detailed understanding of the Forex markets, FX products and factors influencing market movements. Above all this position calls for a high degree of energy to work in a pressurised environment, excellent interpersonal skills and the ability to drive and direct a team.

Interested applicants should contact Caroline Banford at Banking Personnel, 41-42 London Wall, London EC2M 5TB or telephone her on 071 256 5866.

Closing date: Friday December 16th 1994.

Hays

MANAGER - PROJECT FINANCE

£35,000 plus bonus

This is an excellent opportunity to join a major international bank's Project Finance team. The appointee will be responsible for the cashflow analysis of specific domestic and international projects within the energy, infrastructure and related sectors.

Candidates should be graduates, aged 24 to 28, who possess excellent computer modelling skills and two years' experience of complex non-standard financing transactions. It is anticipated that progress to a more transactional role can be made within 18 to 24 months.

Please contact Peter Haynes.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
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Joanne Gerrard on +44 71 873 4153
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Outstanding Opportunity in the Smaller Companies Area

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Over recent years, Clerical Medical's funds under management have grown substantially and now exceed £11 billion.

We are looking to appoint a Specialist to manage the Smaller Company authorised Unit Trust and to organise and develop the resources supporting the investment effort in smaller companies on behalf of the other funds managed by Clerical Medical.

You should have a proven track record of managing money in this area.

We offer a professional, constructive work environment and encourage personal initiative. Our salary structure is competitive with an excellent bonus scheme and the usual fringe benefits.

Please write with a full CV to Nick Morgan, Senior HR Advisor, Clerical Medical Investment Group, 15 St James's Square, London SW1Y 4LQ.

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INVESTMENT GROUP
THE CHOICE OF THE PROFESSIONAL

UK/EUROPEAN MARKETING LONDON

(Tax Based Structured Financings)

We urgently seek highly motivated numerate bankers (graduates ACA's MBA's Solicitors) with proven mandate winning/technical skills for several prestigious City Banks. Candidates must be experienced in tax, capital markets bonds and derivatives etc. In return our clients offer a competitive base salary, plus incentives, benefits. £High

MARKETING MANAGERS

We are inundated with vacancies for graduate bankers aged c30 years who can clearly demonstrate new business development skills plus technical competence, covering the following sectors:

LEASING £30-£40,000 + BENS
UK tax based leasing/HP in the £1-10 million plus range.

PROJECT FINANCE (OIL & GAS) £30-£60,000
High numeracy/computer modelling skills some client marketing.

UK PROPERTY LENDING c£35,000
Able to source and structure, investment/commercial, property transactions in the £5m + range.

Detailed CVs in confidence to BRIAN GOOCH

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Philip Wrigley on +44 71 873 3351

Joanne Gerrard on 071 873 4153

FG Inversiones Bursátiles

A MADRID BASED SENIOR INSTITUTIONAL EQUITY SALES APPOINTMENT

FG, the leading independent Madrid stockbroker, is seeking a senior equity institutional sales director to further develop FG's market penetration in the United Kingdom. FG has a considerable reputation for the quality of its Spanish equity research, for the efficiency of its trading teams and for its administrative back-up.

Applications are invited from candidates who have in-depth experience of selling to major institutional fund managers in the United Kingdom markets. The ability to work with highly motivated research analysts is more important than any previous experience of the Spanish Stock Markets. It is more important that candidates should be capable of interpreting details research and be lucid in explaining the underlying investment criteria. Whilst some knowledge of Spanish would be helpful the prevailing language of investment at FG is English and all research is published in English. In any case the right candidate would almost certainly pick up the necessary linguistic skills in a very short time.

The appointment is based in Madrid though considerable travel to the United Kingdom is envisaged. A substantial remuneration package will be available for the selected candidate. In the first instance apply in writing, with a copy of your CV to:

Ricardo Mandelbaum
FG Inversiones Bursátiles
Jose Ortega y Gasset, 29
28006 MADRID
Spain

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An outstanding opportunity has arisen for a dynamic, experienced, graduate banker currently enjoying excellent relationships within the UK's top corporates and multinationals.

You will be a strong presenter of a wide range of debt, equity and treasury products. Candidates aged to 32yrs and currently earning no less than £35,000 base salary should send their c.v.s to...

Ron Bradley, Director of Executive Recruitment at the address below

Jonathan Wren & Co. Ltd, Financial Recruitment Consultants,
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The company

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The position

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- Extensive travel across Europe to enhance current contact, and build new relationships, with senior treasurers and dealers.
- To manage new and existing relationships between European clients and ourselves.
- To build the company's profile as a leading player in the market.

Qualifications

- Wide knowledge of the European banking environment and, in particular, currency, money and capital markets.
- An understanding and appreciation of the role of the moneybroker.
- Experience of business development in the wholesale financial services industry.

The person

- The experience required suggests the candidate is likely to be a mature person with wide ranging contacts and experience.
- Self starter and ability to set own goals.
- Fluency in English and conversational ability in at least one other major European language.

Please send a full curriculum vitae to:
PO Box: A5011,
Financial Times, 1 Southwark Bridge, London SE1 9HL

Mercedes-Benz Finance Ltd.

Mercedes-Benz Finance Ltd provides a wide range of finance and leasing products to purchasers of Mercedes-Benz trucks and cars through our finance link system to Mercedes-Benz Dealers. Launched in 1990 and highly successful, the Company has a rapidly growing portfolio of £500 million.

We are now seeking to appoint an additional banking professional to join our team as a:

CREDIT ANALYST

Reporting to the Credit Manager your brief will include the evaluation and underwriting of credit proposals for the purchase of vehicles. Highly automated and working to deadlines, you must have a thoroughly balanced approach to lending and must be able to communicate your decisions clearly and objectively to Dealers.

Candidates should be educated to Degree level and hold a FHA Diploma or ACIB part I or II, and have relevant financial underwriting experience gained within a Bank or Finance House.

In return we offer excellent salary and benefits to someone with the drive and ability to make a contribution to a growing Company.

Interested? Then apply in writing to Janina Pownall,
Mercedes-Benz Finance Ltd, Marlborough Court, Sunrise Parkway, Linford Wood, Milton Keynes MK14 6YR.

BBC NEWS & CURRENT AFFAIRS

Commercial & Business Development Manager

BBC News & Current Affairs is seeking a bright, dynamic commercial manager with considerable experience in rights negotiation, editorial understanding and an innovative approach to multi-media development.

Leading a small team of business development managers, the postholder will work closely with BBC Worldwide – the commercial arm of the BBC – and the Rights Archive, to secure maximum exploitation of News & Current Affairs' programmes and products.

The postholder will have experience of drafting contracts and identifying primary and secondary rights; a deep knowledge of the broadcast news marketplace both here and abroad and a refined understanding of the potential for text and broadcast news services, using new technologies.

The position will be the focal point for all business ideas and projects within News & Current Affairs and the main point of contact for senior managers in BBC Worldwide. The jobholder will also undertake the market testing of programmes sales with external distributors and establish partnerships with appropriate external businesses.

He/she will be expected to lead the development and adaptation of a 10 year strategy; to develop a three year business plan and an annual budget with specific financial targets for News & Current Affairs' involvement in commercial markets.

Salary according to qualifications and experience. Based London.

For an application form send a postcard (quote ref. 17329/F) to BBC Recruitment Services, PO Box 7000, London W12 7ZY. Tel: 081-749 7000 Minicom 081-752 5151 by December 7th. Application forms to be returned by December 12th.

WORKING FOR EQUALITY OF OPPORTUNITY

SECURITIES PROCESSING OPERATIONS MANAGER

The Bank of New York with Global Custody assets of $1.4 trillion is seeking a Securities Processing Operations Manager. Responsibilities will include managing a dynamic and rapidly expanding operational service with a current workforce of approximately 100.

The ideal candidate will have significant experience in an International Securities Operations management position. Excellent communication and leadership skills are essential.

A competitive salary and benefits package will be offered. Please send full CV, including current salary details, to:

Maria Gigli, Personnel Officer,
The Bank of New York,
46 Berkeley Street, London W1X 6AA

APPOINTMENTS WANTED

OIL, COMMODITIES, SHIPPING EXECUTIVE

Young C.E. Experience in oil, commodities and shipping. Actual buying, negotiating contracts - operations. Worked with American and British companies, 2 years in Africa and C.I.S. Seeks new assignment with international company. Specific projects. Start ups.

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ACCOUNTANCY

Clarke's 'lurker' worries insolvency experts

Jim Kelly reports on possible gaps in the chancellor's plan to keep threatened businesses afloat

Every budget contains what one partner at a Big Six firm this week described as a "lurker": the seemingly dull detail that will actually change people's lives far more than the trumpeted measures to promote jobs or increase savings.

It is part of the definition of such an issue that it is not apparent, and it is probably too early to say what Mr Kenneth Clarke's contribution to the species is likely to be. However, for accountants, the Budget held two small seeds of change.

Heralding a new "rescue culture" in insolvency, the chancellor said: "During the recent recession, businesses, particularly small businesses, were too often being closed down by their creditors and jobs lost before rescue options had been properly explored."

Mr Clarke explained that to give "management more time to order their affairs", a 28-day moratorium would be introduced, binding on all parties, during which rescue prospects could be evaluated and creditors possibly brought into an arrangement. The chancellor added: "We are also consulting further on a mechanism to help substitute equity for debt of firms in administration or receivership."

The details released by the Inland Revenue also contained the news that "individuals will now be able to have necessary expenditure which takes place after trading activities have ceased relieved for tax purposes against other income or capital gains."

"These measures," said Mr Clarke, "will contribute further to the creation of a rescue culture, discouraging wasteful liquidation of sound businesses."

The announcement prompted several partners with the big firms to remark that this was all well and good, if a bit late, considering the position of the economy relative to the recession which brought about the problem. Insolvency practitioners might also argue that sound businesses are not lost. The ownership might change through the insolvency process but that is a different thing.

It looks as though practitioners, and others, will have to wait some time for the vital detail missing in the chancellor's statement. The paper on insolvency reform will possibly be with us by Christmas.

Mr Colin Bird, senior corporate recovery partner at Price Waterhouse, says that the corporate affairs minister Mr Jonathan Evans recently reported that, after lengthy consultation, there was a consensus in favour of the moratorium.

There was no consensus, however, on the position of the banks during such a moratorium. The control of assets during the moratorium period is crucial to the moratorium issue and no answer was provided by the chancellor. The British Bankers Association has already said it is unhappy with the moratorium and the possible curbs it would place on the power of banks to appoint receivers.

As Mr Bird, who is chairman of the technical committee of the Society of Practitioners in Insolvency, says: "You don't want to screw up the whole basis of lending by banks to small businesses in this country."

The issue of control during the moratorium is also central to concerns that such a measure might give unscrupulous directors the opportunity for fraud. Despite the chancellor's promise of "safeguards", the public interest issue will prove controversial. "This is a very draconian measure and safeguards are needed against possible abuse," says Mr Bird.

Other questions crowd in once the concept of a moratorium is accepted. Would a company's listing have to be suspended? "I can't imagine not," says Mr Bird, considering that the calling of a moratorium would have to represent the beginning of an insolvency period as creditors would not be paid during the 28 days.

The suggestion from the chancellor that equity could be substituted for debt during insolvency is, according to Mr Bird, "mind blowing". Although the government is still at an early stage, Mr Bird essentially envisages debt, other than mortgage debt, being wiped out and the equity being taken away from the shareholders and placed with the senior creditor.

All creditors would be offered an option, valid for three months. "This would sure make companies solvent," comments Mr Bird. The proposal depends on the creation of a securities market for the options and Mr Bird wonders if the proposals are workable despite being "interesting economics".

The second measure which surfaced in the Budget was self-assessment – the biggest reform to the personal tax system since the introduction of PAYE 50 years ago. "SA", as it is known, will be on stream by 1996-97.

Around four million people, mostly the self-employed, company directors and partners and those with investments, currently use agents, such as accountants, to file tax returns to the Revenue. All these returns fall within the new system.

SA is a tax system based on figures provided by the taxpayer. The taxpayer, or their agent, is invited to carry out an assessment of their liability on the forms provided – but this element is not compulsory.

More fundamentally, the new system is based on current year assessment. The tax bill for any year relates to the income in that same year and the new system brings together all income, and capital gains, to be taxed at one time. The new system has a set of payment dates which are fixed.

Accountants were concerned with two facets of the self-assessment which had been extensively trailled before the Budget. First, a strict regime of anti-avoidance measures was proposed to make sure profits and payments were not shifted around during the transition period in order to avoid liability.

According to Mr Philip David, at Ernst & Young, and a specialist on SA, these have been watered down in the proposed Finance Bill text.

The second issue was the requirements on employers to provide the information needed to file the SA return and penalties for failure to do so by set times. These were published with the Budget, after lengthy consultation, and are likely to disappoint some employers and accountants.

Mr Michael Kaltz, employer services tax partner at Ernst & Young, said: "I am astonished that the Revenue can quote figures of 80 per cent support for the proposed extremely stringent penalty regime for 'accountants individuals and others'. We agreed with the 65 per cent of employers who thought these proposals were a bad idea."

Finally SA has one other long-term repercussion for accountants. Its introduction is planned to coincide with the development of the Electronic Lodgement Service (ELS). This will let accountants file the returns direct from their own computers, through a secure "gateway", to the Inland Revenue computerised system.

A pilot study is currently under way involving the Big Six. The problem is that the accountants want something out of the project other than helping the Inland Revenue cut its costs. Mr John Whiting, who heads a special business forum looking at the project with the Revenue, and is a partner at Price Waterhouse, says a shopping list of possible benefits have been given to the Revenue for consideration.

This list swings from the improbable – making agents fees tax deducatable when ELS is being used – to the extremely modest: allowing Revenue information to flow back through the gateway to accountants. In the middle are suggestions such as reducing the technical requirements for SA filing.

Whatever the outcome of this fussle, it will be crucial to the benefits accountants, and their clients, can win from a system which may one day dominate the entire UK tax regime.

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Intermediate Capital Group PLC is the leading provider of mezzanine finance in Europe. Since its establishment in 1989 ICG has invested over £275m in 48 companies throughout the UK and continental Europe. In June 1994 ICG was successfully floated on The London Stock Exchange.

Focusing on unquoted companies, ICG provides finance for MBOs and MBIs, development and expansion capital and acquisition finance. ICG's continuing success and its plans for the future necessitate the recruitment of another manager. Your responsibilities will include researching and evaluating investment opportunities, structuring deals, completing transactions and monitoring the performance of investments. You will also be expected to market effectively to financial institutions and potential investee companies.

ICG wish to recruit an ambitious and confident individual with a strong academic record. Aged between 26 to 29 years, you are likely to be from one of the following backgrounds: a development capital institution, an international firm of accountants, a merchant bank corporate finance department, a bank acquisition finance department or a management consultancy.

Career prospects are excellent, with progress to the most senior levels expected. Remuneration will be highly attractive and commensurate with your skills and experience.

If you wish to apply please send your CV to our advising consultant **Richard Williams at Executive Connections, 43 Eagle Street, London WC1R 4AP** or telephone him on 071 242 8103.

personally recommended

FINANCE DIRECTOR

London NW1 — **c£60K + options**

New Media Productions Ltd, established in 1983, is an internationally-acclaimed multi-media design and production company, backed by institutional investors. The growth potential of this market is exceptional. The Board now wishes to appoint a Finance Director to administer the company and to prepare it for flotation, releasing the Managing Director to concentrate on business development.

We seek a commercially-orientated accountant with a wide-ranging business background and international horizons and, ideally, experience of both small companies and flotations. He or she will be a team player, able to contribute to both administration and strategic direction. Non-smoker. Age indicator 40-45, but this is very flexible.

Salary negotiable around £60K. Share options available with prospects of wealth creation. Relocation not anticipated.

Please write, with appropriate details and salary history, to the company's recruitment consultant: David Mackintosh, Mackintosh Enterprises, 7 Dower Park, Windsor, Berks SL4 4BQ quoting Ref: DM/151.

ME

Senior Manager - Corporate Reporting

HOME COUNTIES — C£45,000 + CAR + BENEFITS

This rapidly expanding company has just floated on the US stock market and is seeking a London listing next year. It operates in a dynamic, fast growing industry and the Group is now set to appoint an exceptional individual into a very senior position at the UK Headquarters.

The manager will be responsible for all external reporting to the SEC and LSE as well as reporting Group consolidated results to the main Board. There will be significant interface with the Group's advisers and the job holder will be involved in the management of a small, highly focused team of qualified accountants.

The ideal applicant will have experience of both SEC and LSE reporting requirements. Candidates must be assertive, diplomatic and have strong management skills with an ability to manage change in a fast moving environment. Excellent report writing skills and a commitment to meeting tight deadlines are pre- requisite. The successful candidate will be a graduate qualified chartered accountant in their late 30s or early 40s, who can demonstrate exceptional achievements to date.

This is an outstanding opportunity to contribute to the success of a dynamic, expanding company and career prospects are excellent.

Interested applicants should write to Jo McEachran, at the address below, with full cv and details of current remuneration.

Alderwick Peachell Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071 404 3155. Fax: 071 404 0140.

APPOINTMENTS ADVERTISING

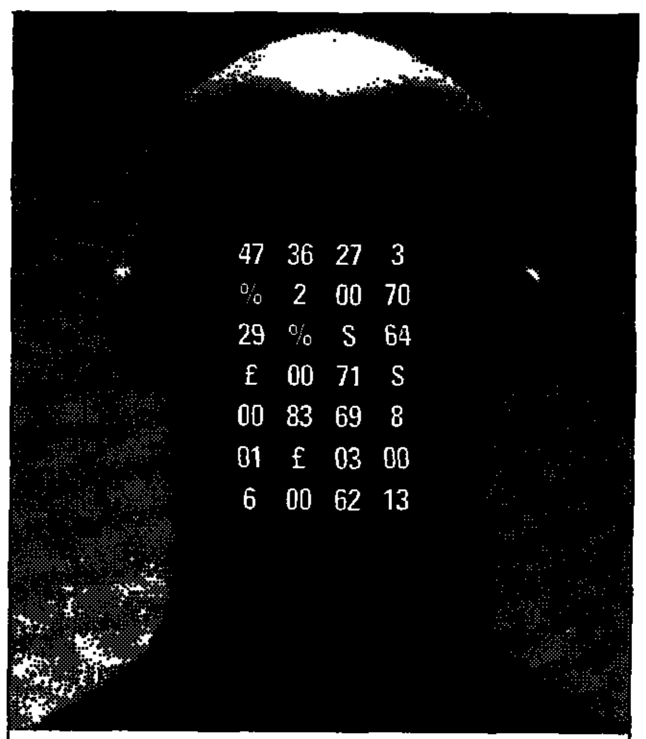
appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please call:

Andrew Skarzynski on +44 71 873 4054

Philip Wrigley on +44 71 873 3351

Joanne Gerrard on +44 71 873 4153



FINANCE DIRECTOR

East Kilbride — **Attractive Package**

Memex is a pioneer in the development of real time applications for integrated information management technology. With the backing of substantial investment from its parent company, MR-Data Management Group plc, Memex is now preparing for a period of explosive growth. To help manage this growth, the company needs a Finance Director to join the senior management team and ensure that the company achieves its ambitious business objectives.

Reporting to the Chief Executive and as a key member of the Executive Committee, the Finance Director will participate actively in the strategic planning activities of the company and will assume full responsibility for the finance, support and administrative functions. As well as the provision of timely and relevant financial information, this will include ensuring that systems and resources are adequate to meet the changing nature of the business.

Candidates for this position will be qualified accountants with several years of experience as a finance director in a fast moving, likely 'hi tech' environment. Experience in helping manage significant change within such a climate would be an added bonus. The stature and commercial acumen to contribute to the development of the company at the most senior level are essential, together with a hands on approach and superior interpersonal and presentation skills.

The remuneration package is generous and reflects not only the senior nature of this position, but also a commitment to find the very best person for the job.

Memex

A member of MR-Data Management Group plc

Touche Ross

Please reply quoting Reference No. 3432, to Peter Siviter, Touche Ross Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP, enclosing a comprehensive cv.

MANAGEMENT CONSULTANTS

FINANCIAL SERVICES REGULATION

Enforcement Accountant — *City*

IMRO - Investment Management Regulatory Organisation Limited - sets, monitors and enforces standards of investor protection for a diverse membership, including fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

The Enforcement Department is primarily engaged in undertaking intensive investigations, identifying significant investor risk and preparing disciplinary cases; it now wishes to add a further accountant to one of its teams.

The successful candidate will be involved in planning and conducting investigations; instructing, where necessary, external professionals; liaising with other regulators; and writing clear and informative reports. This is a demanding role, providing wide exposure to the investment management industry and the opportunity to work at the forefront of investor protection.

We are looking for a graduate qualified accountant, with preferably around two years' post-qualification experience and an in-depth knowledge of the financial services industry. Investigative experience gained beyond a normal audit role is essential, as is the ability to be a good team player.

Initial salary will be related to relevant experience and qualifications and benefits include a non-contributory pension and medical insurance. The post provides excellent opportunities for further career progression.

Please write (under confidential cover) with curriculum vitae, stating how you meet the requirements of the position, indicating current salary and quoting reference number ENF94/11 to Clare Woodcock, Personnel Officer, IMRO, Broadwalk House, 6 Appold Street, London EC2A 2AA.

IMRO

PERSONAL ASSISTANT TO FINANCE DIRECTOR

London — **£30-35,000 + car**

A household name with brand-leading food products worldwide, out client has an exceptional record of growth through innovation and new product development, increasing market share in a highly competitive environment. With an exceptionally well-established marketing base, the group is pursuing further expansion through a programme of strategic acquistions. The Finance Director, at the heart of the acquisitive process, seeks a highly motivated young accountant to become involved in all aspects of his work.

An unusually varied and high-profile role, the Assistant will work alongside the Finance Director in identifying target companies and joint venture opportunities, carrying out pre- and post-acquisition reviews and taking an active part in deals and transactions. Also focusing on critical aspects of the company's performance – both opportunities and problem areas – the position also offers exposure to change management arising from the integration of recent acquisitions or the introduction of new technology and business processes. Working with quality action teams, the role will offer involvement in providing creative solutions to a range of financial and operational problems.

Reporting to the FD and main Board Directors in the UK and the US parent company, confidence, well-developed presentation skills and excellent interpersonal ability are vital attributes. The successful candidate is likely to be a newly or recently-qualified ACA, probably aged 25-28, with first time passes gained in a Big 6 practice. Applications from outstanding CIMA-qualified accountants are also welcomed. Evidence of special projects work will be an advantage and an excellent academic and career record are essential.

The level and variety of exposure offered by this position provides the opportunity to move on to other business areas or to a senior finance role within the group after 18-24 months.

For more information call 071-329 4649 or during evenings or weekends 081-467 1408 or alternatively send or fax your CV quoting ref 087.

ALDERWICK CONSULTING

SEARCH & SELECTION

OLD BAILEY HOUSE, 7 OLD BAILEY, LONDON EC4M 7NB TELEPHONE: 071-329 4649 FAX: 071-329 4677

APPOINTMENTS WANTED

Business Consultant, MBA

10 years experience in Accountancy/Financial Analysis.
European & E/Europe experience.
Systems/PC literate. Seeking FC/FD position in company start-up or small growing company (T/O £5m). Willing to relocate.

Please Write Box A2194, Financial Times, One Southwark Bridge, London SE1 9HL.

Financial Controller

West Midlands — salary c.£50,000 + benefits

Our client is a UK manufacturing and projects company with a number of operating divisions supplying products and systems to the energy sector. Sales are around £100m and the Company itself is part of a major multinational with businesses worldwide.

A Financial Controller is now required to head a central financial function reporting direct to the Managing Director. You will be responsible for consolidating, interpreting and reporting the results of the divisions; streamlining the reporting and control systems across the Company using IT; improving effectiveness and efficiency and looking for profit opportunities. You will concentrate on the analysis and interpretation of business results, supporting and advising the Managing Director.

You will be a qualified accountant aged 35-45, with good interpersonal and communication skills. You will have previous hands-on experience of a tough project contracting and manufacturing business. You will have an assertive management style, strong leadership, commercial acumen and a proactive approach, working with the divisions to improve performance.

Please apply in confidence, giving details of your career and current earnings, quoting reference 0274 to AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.

AAD *The Executive Selection Division of Odgers and Co. Ltd*

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ap Accountancy Personnel
EXECUTIVE RECRUITMENT

Financial Controller

Central Region

£30,000 + Car

This extremely fast-moving service based organisation is currently expanding at a phenomenal rate, achieving success within a highly competitive and ever-changing market-place. This has created an exciting and challenging environment for dynamic and ambitious individuals.

As Financial Controller, you will report to the Commercial Director with dotted line responsibility to the Group Finance Director. Primary responsibility will be the effective management of all aspects of financial reporting, within strict working deadlines, liaising with non-finance professionals and the ongoing development of systems and procedures.

The successful candidate will undoubtedly be of the highest calibre and be able to demonstrate a track record of achievement in their career to date. Commitment to the company cannot be underestimated, but this is an opportunity to join a progressive and ambitious team at a critical stage of it's development.

It is envisaged that this role will be the starting point of a successful and long term career within the organisation.

All interested candidates should forward their CV's to Allan O'Neill, Business Manager, Accountancy Personnel, 14 Temple Street, Birmingham B2 5BG. Tel: 021 643 6201. Fax: 021 643 6235.

Hays

FINANCIAL DIRECTOR
for Calderdale College Further Education Corporation

West Yorkshire — c £40K plus benefits

My client is a dynamic organisation in the business of developing people. With a turnover of £12 million and ambitious plans for growth, they are currently undergoing metamorphic change within the public sector and now seek to appoint a talented, commercially minded professional to fill this key role.

Reporting to the Chief Executive and working as part of the senior management team, your brief will be to develop and implement a commercially astute financial strategy which will facilitate a major agenda of change, exploiting wide ranging opportunities both in the UK and overseas.

A graduate calibre, qualified Accountant, you will thrive in a challenging and demanding environment. An effective team builder and leader, you will combine excellent communication and influencing skills with your ability to quickly establish your personal credibility with those around you.

In return you will receive an attractive salary and benefits package together with excellent opportunities for personal career development. Relocation assistance will be offered where appropriate.

To apply, please write with full cv stating current salary and quoting Ref: 2196KC, to: Andrew Harris, Executive Recruitment Director, Grant Thornton Management Consultants, St John's Centre, Albion Street, Leeds LS2 8LA.

Grant Thornton
MANAGEMENT CONSULTANTS
The U.K. member firm of Grant Thornton International.

Finance Manager

Somerset — to £32,000 + benefits

Our client is a successful, £60m turnover mutually owned veterinary wholesale business. Recent restructuring, coupled with a corporate drive towards increased excellence, has created a need for an experienced accountant to assume the role of Finance Manager.

Reporting directly to the Chief Executive and liaising extensively with the Board and other senior staff, the successful individual will provide a comprehensive management service to the organisation, encompassing both financial and administrative duties.

The role will encompass responsibility for all financial and management accounting procedures, including treasury control coupled with the development of timely and relevant information for use by senior management and the provision of sound, financial advice to the Board.

Excellent communication skills will be required in order to effectively liaise with external, professional advisors and non-financial management. The successful candidate will be a qualified accountant with experience gained in a fast moving, high volume, business environment. Sound man-management skills should be combined with strong. commercial acumen.

Interested candidates should send a current CV, together with remuneration details to Mavis Would or Karan Paige, KPMG Selection & Search, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Tel: (0272) 464000.

KPMG Selection & Search

Finance Director

Industrial Products

West London

c. £50,000

Our client is the successful £30 million turnover subsidiary of a major European multinational Group. They are world leaders in many of the specialist technical products, controls and components which they manufacture and distribute. The vacancy follows the promotion of the incumbent to Group headquarters.

Reporting to the Managing Director, the Finance Director heads a small team responsible for financial accounts, budgeting and reporting to both local and Group levels, IT, and house services. Planned organisational changes and the growth of the Company will lead to continued expansion of the role.

Candidates must be fully qualified graduate accountants, ideally with experience of manufacturing industry. Probably aged in their mid 30's, they will already be able to demonstrate a progressive and successful career which has taken them into financial line management, in a sophisticated international organisation and management environment.

This is a rare opportunity for an outstanding, ambitious financial executive to join a world-class Group and to prove him, or herself, as Finance Director of one of their most important subsidiaries.

Remuneration will include a salary of £50,000, car and other normal major Group benefits including relocation expenses if appropriate.

Please apply in complete confidence, with a full C.V. including latest salary details, to The Managing Partner, David Thompson Associates, Bacombe Rise, Ellesborough Road, Wendover, Bucks, HP22 6EL.

DAVID THOMPSON ASSOCIATES
CONSULTANTS IN EXECUTIVE RECRUITMENT

European Controller

Southern Home Counties
c.£40,000 + Car + Benefits

This profitable £90M turnover division of a household name business services PLC holds a leading position in the European and UK freight transport markets. The Group operates in two other business service sectors, the three divisions together forming a highly successful, publicly-quoted company with market capitalisation of £150m.

The division has expanded rapidly and very profitably into Europe both by acquisition and organic growth. The business now seeks a European Controller to oversee the various, recently acquired businesses on the continent.

Reporting to the Divisional Finance Director, you will provide an effective interface between divisional management and European operating companies. You will take full responsibility for the development of management reporting, including the identification of key performance indicators and analysis of market trends. You will need to develop a good understanding of the road transport and logistics sector in order to influence future decision-making.

The individual we are seeking, probably aged 30-35, must have substantial post qualification management accounting experience gained within a UK corporate environment. The ability to converse in German or Dutch would be advantageous during overseas travel, but an excellent aptitude for learning languages would prove sufficient. The ability to communicate effectively with senior management will be essential.

The Group offers excellent career development and a benefits package commensurate with this level of appointment in a major PLC.

For a detailed and confidential discussion telephone Nick Brown ACA on 0171 336 7711. (Evenings/weekends 0181 445 5919). Alternatively, please send your CV to him at: GMS, Goodman Masson Shaw, 2 Bath Street, London EC1V 9DX. Or fax it on 0171 336 7722.

GMS
GOODMAN MASSON SHAW
Financial Search and Selection

Company Stock Events & Capital Issues

A HIGHLY INFLUENTIAL ROLE

Sheffield — *Salary Package Negotiable*

Abbey National Shareholder Services commenced operations in early 1994 from purpose-built Headquarters on the outskirts of Sheffield.

Initially set up to manage the service to Abbey National's 2.5 million shareholders, it operates in a modern, open plan environment with excellent communications and plenty of room for growth.

It is within this forward looking business, that we now require a professional with wide experience and a thorough knowledge of Share Registration, particularly in the area of stock events and capital issues to assist the team in the next phase of development. This includes enhancing the system to provide a commercial service to major companies throughout the UK.

You will provide guidance and support to the development team, particularly on operational planning and procedures, review design documentation and be responsible for ensuring that the design agreed, meets the future business requirements.

To ensure the smooth running of the operation, you will also participate in the design of test material and programmes, the writing of detailed operational procedures and provide support to the staff. Additionally, the role will involve assisting in preparing business proposals.

With at least 5 years experience in a financial environment, you will be able to demonstrate a broad range of business experience, including knowledge of registration procedures, company flotations and events gained at a senior level. Having worked successfully as part of a project team you will be able to demonstrate excellent communication and leadership skills. The ability to design and document effective operational systems is of paramount importance.

Initially for a period of 1 year, this position offers the right person a superb opportunity to contribute to the shaping of the future of an already successful operation. Salary is negotiable and is accompanied by a range of benefits.

To support a healthy environment, Abbey National has a no smoking policy.

Please telephone or write for an application form: Shareholder Services Personnel, Abbey National plc, Carbrook House, 5 Carbrook Hall Road, Sheffield S9 2EG. Tel: 0742 563 175.

Closing date for receipt of applications is 9th December 1994.

In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes applications from every section of the community.

ABBEY NATIONAL
Promoting Success Through Equality

RISK ANALYST

Docklands

c.£30,000 + Banking Benefits

ECHO

Exchange Clearing House Limited (ECHO) is shortly to be the world's first global FX Clearing House. Backed by 15 international banks, ECHO will offer its users the ability to net and settle FX contracts on a multilateral basis, giving advantages of substantially reduced risks and settlement costs.

The risk analyst will be one of a small team set up specifically to identify all areas of risk within the netting and settlement process. Project driven, the analyst will identify and assess risk issues, document procedures, contribute to the specification of systems to support the risk management function and liaise with other areas impacted by risk.

The role is ideally suited to a highly numerate, recently qualified chartered accountant with demonstrable quantitative skills. Applicants will have a proven knowledge of treasury products, specifically FX, gained with either an audit function or within product support. As this is a multinational project, presentation report writing skills and a second European language would be desirable.

For those self-motivated candidates who are seeking a challenging and rewarding role within an innovative new venture, call our retained consultant, **Adrian Thompson** on **071 344 5136.** Alternatively, forward a curriculum vitae to Cardinal House, 39-40 Albemarle Street, London W1X 3FD, quoting ref: AT534.

HARRISON WILLIS

APPOINTMENTS WANTED

CHARTERED ACCOUNTANT AND M.B.A.

20 years commercial accounting experience principally with International engineering companies. Based close to London but willing to work anywhere in the U.K. or overseas. Urgently looking for full time or temporary roles.

Please reply to Box A5014, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCE DIRECTOR/OFFICER

CHARTERED ACCOUNTANT (ACA), INVESTMENT ANALYST (IIMR), MSI (Dip), & SFA registered. (Age 33).

For Reporting, Investment Appraisals, Corporate Finance (flotations) & Strategy. Broad exp. of Business and Diverse Business cultures. Exposure to UK, US and Japanese companies. Seeks positions within an Investment or Growing companies, including Start-ups. Willing to re-locate. Background: Investment Management/Stockbroking.

Fax: 071 638 0214 or Write Box: A5251, Financial Times, One Southwark Bridge, London, SE1 9HL.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 2 1994

IN BRIEF

ABB takes stake in Chinese power

Asea Brown Boveri (ABB), the Swiss-Swedish power giant, has taken a 4.5 per cent stake in Harbin Power Equipment Company, a former China state-owned enterprise which is now in the process of listing in Hong Kong. Page 20

UK to appoint advisers for electricity sale
The UK government is about to appoint financial advisers on the forthcoming flotation of the National Grid Company. The government wants electricity customers as well as shareholders to benefit from the £4bn ($6.6bn) sell-off. Page 18

Pit price falls for RJB Mining
RJB Mining, the UK coal company bidding for the English mines of British Coal, is expected to tell investors today it has agreed with the government that it will pay nearly £100m ($164m) less than the £914m it originally offered. Page 18

Hyperactive SK Beecham calms down
SmithKline Beecham, the world's sixth biggest drugs company, seems to be hooked on change. Last week it announced another $1bn-plus deal – its fourth in six months. But Mr Jan Leschly, chief executive, says the corporate hyperactivity is probably over for the moment. Page 18

Tide turns for Ferruzzi-Montedison
Just over a year ago, Montedison, the Italian industrial company, and its parent, Ferruzzi Finanziaria, were close to bankruptcy, brought to their knees by extravagance, corruption and alleged mismanagement. Now, however, both companies expect to return to pre-tax profit. Page 20

Indian bonds regain investment grade
India has regained the investment-grade rating on the bonds it sells to international investors, a move which will greatly widen the pool of potential buyers and help cut its borrowing costs. Page 21

Browning-Ferris set to win Attwoods
The battle for Attwoods, the UK waste services group, was all but over last night with hostile predator Browning-Ferris Industries of the US believed to have acceptances for substantially more than 55 per cent of the company. Page 22

3i lifts net asset value 6.7%
3i, the recently floated UK venture capital group concentrating on investment in small and medium-sized companies, yesterday reported a 6.7 per cent increase in net asset value per share to 334p in the six months to September 30. Page 24

BT strengthens Australian links
British Telecommunications, the UK telephone operator, is moving its Asia-Pacific headquarters from Singapore to Sydney, Australia. Page 25

Property shares fall as MEPC disappoints
Shares fell across the UK property sector as MEPC, the UK's second-largest property company, disappointed analysts with a lower than expected rise in net assets per share. Page 25

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Chief price changes yesterday

FRANKFURT (DM)				Spie Batignolles	271	+	10.8
Falls				**Falls**			
BMW	748.5	–	6.5	Accor	570	–	17
Hoechst	310	–	4.5	Casino	158.6	–	5.9
Lahmeyer	614.5	–	10.5	Lafarge Coppee	396.3	–	14.3
Linotype	330	–	6	[illegible]	106.2	–	5.2
Thyssen	275	–	4.5	**TOKYO (Yen)**			
Volkswagen	419.5	–	8	**Rises**			
NEW YORK ($)				Aoki Corp	418	+	17
Rises				Nintendo	5660	+	330
[illegible]	[illegible]	+	[illegible]	**Falls**			
[illegible]	[illegible]	+	[illegible]	Chichibu Onoda	578	–	29
Wabash Nat	[illegible]	+	[illegible]	[illegible]	332	–	13
Falls				Toho	16300	–	1000
Best Buy Co	[illegible]	–	[illegible]	Tokyu	660	–	23
Digital Equip	[illegible]	–	[illegible]				
Gap Inc	[illegible]	–	[illegible]				
PARIS (FFr)							
Rises							
AGF	236.4	+	6.4				

New York prices at 12.30.

LONDON (Pence)							
Rises				Anglian Group	175	–	25
[illegible]	65	+	9	[illegible]	45	–	19
[illegible]	198	+	10	[illegible]	242	–	12
[illegible]	[illegible]	+	23	[illegible]	123	–	6
[illegible]	[illegible]	+	15	[illegible]	174	–	9
[illegible]	[illegible]	+	2	[illegible]	218	–	14
[illegible]	[illegible]	+	3	[illegible]	117	–	21
[illegible]	[illegible]	+	6	Hammerson	314	–	12
Monarch Res	[illegible]	+	8	[illegible]	[illegible]	–	[illegible]
[illegible]	[illegible]	+	3	MEPC	385	–	18
[illegible]	[illegible]	+	2	Royal Bk Scot	400	–	30
[illegible]	[illegible]	+	[illegible]	T & N	166	–	6
Falls							
[illegible]	[illegible]	–	[illegible]				

Chrysler bows to Kerkorian and lifts payout

By Richard Waters and Tony Jackson in New York

Chrysler, the smallest of the three big US carmakers, yesterday bowed to pressure from its biggest shareholder as it announced plans to pay out more of its growing cash hoard.

The company agreed to lift its dividend by 60 per cent, to an annual $1.60 a share, a move which will take the total dividend bill to about $550m a year. It also said it would start a $1bn share buy-back programme in the first three months of next year.

The moves follow agitation in recent weeks from Mr Kirk Kerkorian, the billionaire businessman whose stake of more than 9 per cent makes him the company's biggest shareholder. Mr Kerkorian went public two weeks ago with his battle to force Chrysler to pay out more of its cash, after his private approaches to the board were rebuffed.

Chrysler said the steps agreed by its board yesterday had been planned before Mr Kerkorian's intervention. However, it added: "His interest and his attentions may have altered our timetable." The company has also talked to other big shareholders in recent days, and said the steps were in the interests of all shareholders.

Chrysler yesterday also amended its "poison pill" takeover defence, lifting from 10 per cent to 15 per cent the maximum that any investor can hold before measures are enforced which dilute the holding. This also reflects pressure from Mr Kerkorian, who has filed an application with the US's Federal Trade Commission to raise his stake in the company.

Mr Kerkorian's private investment company, Tracinda, responded to Chrysler's announcement saying: "We're very pleased with the programme. We think it's a significant step for all shareholders."

Although Chrysler raised its dividend last December and in May, it has been reluctant until now to distribute more of its cash reserves. The company, which was kept afloat by a government-guaranteed loan in the early 1980s and nearly succumbed again to the recession of the early 1990s, has been attempting to build a strong and liquid balance sheet to see it through the next downturn in the US car market.

Chrysler said that paying out more to shareholders would not deflect it from reaching other financial targets. It expects to raise its five-year spending plan by $2bn, to $22.9bn. It also expects to reach its target cash reserves of $7.5bn and a fully-funded pension scheme by the end of this year.

Standard & Poor's said the outlook for Chrysler's credit rating, which only emerged from junk bond status a year ago, remained positive, despite the moves.

The company's "persisting, extremely strong financial performance" meant that there should still be sufficient funds to pay for an ambitious capital spending programme, build reserves and reduce the company's $11.9bn of debt, S&P said.

Emerson Electric to take Control

Trevor Wheatley of UK electronic drives maker Control Techniques accepted £204m US takeover. Page 22

Hanson ready for purchase after rise

By David Wighton in London

Hanson shares continued their recent recovery yesterday as the Anglo-US conglomerate reported a 26 per cent increase in annual operating profits to £1.23bn ($2.01bn) and said it was ready to take on another big acquisition.

The shares have lagged the market this year on worries that the group was running out of steam. But Lord Hanson, chairman, declared yesterday that its future "remains exciting".

"The economic resurgence has provided a stimulus to improve trading profits still further, while seeking strategic opportunities to enhance shareholder value," he said.

Mr Derek Bonham, chief executive, said the group had excellent opportunities for organic growth but was also ready to take on another big deal. "The balance sheet is in a position to make another major step forward if we find the opportunity. That is certainly what we are looking for."

Last year's operating profits, of which 54 per cent (against 43 per cent) were generated in the US, were boosted by the acquisition of Quantum Chemical in a $3.2bn deal in September 1993, which contributed £100m after interest. Gearing, which rose to 86 per cent on completion, has now been reduced to 58 per cent, after £945m of disposals.

Including disposal gains, group pre-tax profits rose to £1.35bn, from £1.02bn, on sales of £11.2bn (£9.76bn). Excluding exceptional items, profits were little changed at £1.01bn (£992m) and earnings per share, on the same basis, were 14.7p (14.4p). As previously signalled, the quarterly dividend is 3p (2.85p) for a total of 11.7p (11.4p).

Mr Bonham said Hanson wanted to combine dividend growth with a gradual reduction in cover from 1.25 times to about 1.5.

The figures were accompanied by an upbeat assessment of prospects for the next two years. Mr David Clarke, chief executive of the US arm, Hanson Industries, said: "We are very much on a roll, particularly with Quantum. We are even more enthusiastic about prospects for 1995 despite recent interest rate hikes."

Most of Hanson's cyclical chemicals and construction-related businesses are recovering on both sides of the Atlantic.

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Chemical Banking in profitability push

US bank to sell businesses, loans and cut 3,700 jobs in first big reshape since merger

By Richard Waters in New York

Chemical Banking, the US's fourth biggest banking group, announced cost-cutting and other measures, including 3,700 job losses, aimed at lifting its profitability closer to the levels of more successful rivals. Besides the job losses, which amount to around 9 per cent of the bank's staff, Chemical will dispose of two peripheral businesses, sell $1bn of non-performing property loans and extend its recent share buy-back programme with a further 6m shares.

The moves signal the first broad restructuring at the bank since Chemical's merger with Manufacturers Hanover at the end of 1991. They reflect the generally lacklustre outlook for bank earnings in the US after the interest rates rises of this year, and went some way to meeting market concerns that Chemical failed to cut costs aggressively enough at time of the merger.

Mr Walter Shipley, chairman, denied that the bank was acting belatedly to deal with the Manufacturers Hanover transaction. He called the latest restructuring "the second phase" in the process of absorbing the bank, following an eight-month efficiency review.

At the time of the merger, Chemical said it planned to lift its return on equity to 16 per cent by 1994. "Clearly, at 14 per cent, we're not where we should be," Mr Shipley said yesterday. The failure to hit the target was caused by the US interest rate rises and the fall-off in trading revenues this year, rather than a failure to meet internal cost targets, he said.

The moves, which will result in restructuring and write-down costs of $410m, are intended to enable Chemical to hold its costs steady in the next two years, while increasing its revenues 4-6 per cent a year. Overall, this will result in earnings per share growth of 15 per cent in each of the next two years, the bank said, taking it to a return on equity of 16 per cent.

Chemical said it would sell 60 per cent of its banking business in New Jersey, retaining only those operations close to New York city. The New Jersey bank, acquired in 1989, has assets of $5.7bn and 140 branches. Chemical will also sell its 40 per cent interest in CIT, an asset-based lending business. The remaining 60 per cent was sold to Dai-Ichi Kangyo, the Japanese bank, in 1989.

To make the bank's international network more profitable, Mr Bill Harrison, vice-chairman in charge of wholesale banking, said Chemical planned to reduce its German business, which employs 300 people in capital markets, leasing, export finance and general corporate banking, and cut its presence in Chile's capital market. Signs that Chemical was taking a more aggressive stance on improving its earnings have sustained its share price in recent weeks, and yesterday morning it rose $½ to $36⅞.

Telefónica divides into eight to prepare for deregulation

By Tom Burns in Madrid

The deregulation of the telecommunications sector has prompted Telefónica, Spain's government-controlled operator, to divide itself into eight specialised companies. The move will also give Telefónica the possibility of floating off parts of the group, which is 32 per cent owned by the government with a further 20 per cent held by foreign institutions.

The reorganisation, which will be completed before the industry's liberalisation in 1998, will create separate units dealing with basic telephones, international communications, data transmission, mobile phones, public phones, international business, publicity and information, and multimedia.

The development will lend an increased transparency to Telefónica's business. It has been designed to prevent units where the group continues to hold a monopoly, such as basic telephony, subsidising others, such as data transmission, which has already been liberalised, and mobile telephony, where Telefónica will soon be competing with a second operator.

The government is reviewing rival bids, one backed by the UK's Vodafone and the other by AirTouch, the US telecoms group, to develop a second pan-European global system of mobile (GSM) communications digital network to compete with one to be installed by Telefónica.

"As the reorganisation takes root, the Telefónica companies might want to tap the markets individually," said Mr Pedro González Ahijado, chief analyst at securities firm AB Asesores. "There will be nothing to prevent the group disposing of part or all of its yellow pages unit, for example, if it wants to."

Along with the data transmission and mobile telephony units, one of the first business areas to be divided off into a separate company will be multimedia. The government has already drafted a cable television law to allow the private sector into multimedia and, as with the GSM network, one cable licence has been reserved for Telefónica.

Telefónica Internacional (Tisa) has been conducting its business as a separate company since 1989. Tisa, which is the biggest foreign operator in Latin America, is engaged in negotiations with GTE of the US on a global alliance to develop telecommunications in emerging markets.

GrandMet shake-up complete

By Roderick Oram in London

Grand Metropolitan, the UK drinks and food group, yesterday unveiled details of its second large restructuring charge in two years and said there would be no need for a third. "We have completed, or have provided for, all major restructuring projects for the foreseeable future," said Lord Sheppard, chairman, announcing a 5 per cent rise in pre-tax profits to £554m ($1.08bn) for the year to September 30.

Pre-tax profits before the charges and other exceptional items rose 3.7 per cent to £945m on flat turnover from continuing operations of £7.63bn. The strongest performers were Pillsbury foods in the US and Burger King. Drinks profits worldwide were down as were food profits in Europe. Most of the money saved by cost-cutting is being spent on increased marketing. The budget rose 3 per cent last year to £900m with most of the increase spent on North American food. It will rise modestly this year with drinks getting most of the increase. IDV, GrandMet's drinks division, will lose 1,500 jobs and European foods 900 in the latest two-year restructuring. In total, 500 UK jobs will go and 1,000 in continental Europe.

Operating profits from IDV fell 8 per cent in the latest year to £520m with Europe and the rest of the world suffering more than North America. Volumes were flat overall but margins suffered from a change in product mix and destocking, particularly in the US. The UK was the only market to show growth but GrandMet said continental countries were beginning to show encouraging growth signs.

Operating profits from food rose 24 per cent to £497m despite a 20 per cent fall in Europe to £12m. Acquisitions, cost-cutting, new products and a rebound in Green Giant's canned vegetables boosted Pillsbury. Burger King's like-for-like store sales were up more than 6 per cent.

Net debt fell by £866m to £2.16bn thanks to disposals and a 26 per cent rise in free cash flow to £643m. Gearing dropped to 60 per cent from 81 per cent.

The board recommended a final dividend of 8.8p to make 13.95p for the year, up 7.3 per cent. Earnings per share were 21.6p against 19.9p after charges, and 32.2p against 29.6p before.

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IRI fixes bidding deadline for flat steel producer

By Andrew Hill in Milan

IRI, the Italian state holding company, has fixed a deadline of December 12 for potential buyers to present their bids for Ilva Laminati Pianti, the flat steel subsidiary of Italy's state-owned steel producer.

IRI is attempting to strike a deal for ILP by the end of 1994. If it fails, Italy will fall foul of the European Commission, which has to enforce an EU agreement that Ilva should be fully privatised by December 31. Several companies have expressed interest in ILP, but with the EU deadline approaching it is still unclear how serious the possible buyers are.

Mr Emilio Riva, the Italian steel magnate, has recently emerged as an ally of the Tarnofin consortium of entrepreneurs from the region around ILP's main plants.

Unconfirmed reports in yesterday's Italian newspapers said the Riva group had replaced G. William Miller, the Washington-based merchant bank, in the consortium.

Two Italian steel traders, Mr Bruno Bolfo and Mr Vittorio Malacalza, are trying to rally support for a separate offer. Their advisers say the traders have the backing of CSN, the Brazilian steel producer. They have also been seeking to add Usinor Sacilor of France and Lucchini, the private Italian steel manufacturer, to the consortium, and could make a formal offer next week.

Following a board meeting yesterday, IRI said IMI, the bank which is advising the holding company on the sale, would communicate the December 12 deadline to "all parties who have expressed concrete interest in the acquisition".

Capacity reductions and privatisation were the main conditions imposed on the Italian industry by EU ministers last year, in exchange for agreeing to a final injection of state aid for the loss-making producer. IRI has already agreed the sale of AST, the special steels division of Ilva, for L600bn ($37m), to an Italian-German consortium which includes Riva.

Polish stake for Commerzbank

By Christopher Bobinski in Warsaw

Commerzbank yesterday became the first German bank to invest directly in Poland's financial sector, when it agreed to take a 21 per cent stake in the Export Development Bank.

The move comes as Dresdner Bank and Banque Nationale de Paris are establishing a wholly-owned subsidiary in Poland. Deutsche Bank, the other leading German bank, has a representative office in Warsaw.

The Commerzbank deal, signed in Warsaw by Mr Martin Kohlhaussen, chairman, represents a DM80m ($51m) investment and gives the German bank a local partner to handle its clients in Poland.

Germany accounts for about one-third of Poland's foreign trade. The Export Development Bank was established in 1986 and handles 9 per cent of the country's foreign turnover. It reported a 345.1bn zlotys net profit for the first nine months of this year on a balance sheet worth 12,671bn zlotys ($531m). Net profits in the first nine months of last year reached 131.4bn zlotys.

Under the agreement Commerzbank will take up 13.7 per cent of the group's equity by purchasing a forthcoming new share issue at a minimum price of 425,000 zlotys a share. The remaining equity will be purchased on the Warsaw bourse, where the bank's stock was trading yesterday at 365,000 zlotys a share.

Commerzbank has said it will not be increasing its stake in the bank above the government-imposed 21 per cent ceiling.

Deutsche Bank's bid to enter Poland with a wholly-owned subsidiary is being delayed by the National Bank of Poland, the central bank, which insists that newcomers buy into existing banks. The NBP made an exception for Dresdner in recognition of its role in securing Poland's recent debt reduction agreement.

SmithKline awaits results of expansion trial

Whether the UK group has the winning strategy is the big question, writes Daniel Green

SmithKline Beecham, the world's sixth biggest drugs company, seems to be hooked on change. Last week, it announced yet another $1bn-plus deal. That made four – almost $8bn-worth – in six months.

But perhaps it is about to kick the habit. Mr Jan Leschly, the group's energetic chief executive, wearily declared last week that the corporate hyperactivity was probably over for the moment.

"We have got the components in place we need to do what we want to do," said Mr Leschly. "What's next is to make sure the investments in synergy and restructuring work."

His approach had won the approval of his peers across UK industry. SmithKline Beecham was this week voted the fourth most admired company in the US, up from ninth two years ago.

But in the context of the international pharmaceutical business, its strategy is more questionable.

The sector has exploded into corporate action this year. More than $25bn has been spent since January, with many deals bigger than anything SmithKline has done. American Home Products paid almost $10bn for its American Cyanamid acquisition. Switzerland's Roche forked out $5.3bn for Syntex, a Californian drugs manufacturer.

But SmithKline has now declared that the pieces are in place for it to achieve its goal of becoming an integrated healthcare company as opposed to a specialised drug maker.

The plan was formulated in 1993. A team of executives prepared a "10-three-one" strategy. This involved forecasting the business environment a decade from now and devising three and one-year plans to position the company for that future.

The review was prompted by the growing strength of the drugs industry's customers. The gap between those who delivered healthcare – doctors and hospitals – from those who paid for it – governments and payers of health insurance premiums – appeared to be closing.

For example, governments in Germany, Italy and the UK are seeking to limit the range of drugs that can be prescribed.

The trend is clearer in the US, where healthcare spending may hit $1,000bn this year. Much of the cost burden falls on companies which pay insurance premiums for employees. They increasingly use specialist companies called health management organisations (HMOs) to drive tough bargains with hospital chains, doctors' practices and drug companies.

A favoured technique is to tell doctors they can prescribe drugs only from an approved list. The SmithKline team determined the industry's winners would be those which could deal directly with the real customers, the payers.

SmithKline therefore had to offer disease prevention, diagnosis and treatment, and advise on the best way to deliver these to patients.

To do that companies would have to be much bigger, leaving room for between six and 10 "mega global players", says one SmithKline executive.

Each of the four transactions this year is designed to create a broadly based company able to offer products to the payers.

- In May SmithKline spent $2.3bn on Diversified Pharmaceuticals Services. Nominally a drug distributor, DPS is a pharmacy benefit manager (PBM) which manages lists of approved drugs for 300,000 US doctors looking after almost 11m health insurance policy holders.

SmithKline also signed a minimum six-year collaboration with the former owner of DPS, United Healthcare, one of the largest HMO chains in the US.

- In August, it paid Eastman Kodak of the US $2.9bn for Sterling Health, a specialist in branded medicines sold

Jan Leschly: 'What's next is to make sure that the investments ... work'

over-the-counter (OTC) without a prescription. Governments are encouraging the use of OTC drugs because patients pay for them directly.

- In September, SmithKline sold Sterling's US brands to Bayer of Germany for $1bn. This was partly to help cut SmithKline's $3.5bn debt and partly because it was already strong in US OTC. Getting stronger might have attracted the attention of the US anti-trust authorities.
- Finally came last week's $1.45bn sale of the company's animal health business to US rival Pfizer. Debt was pushed down further and animal health was seen as disposable in a plan to become a health management company.

In addition, SB's research and development operations on both sides of the Atlantic have been transformed since Dr George Poste succeeded Dr Keith Mansford as head of R&D in 1992.

The company has dropped several research programmes – including gastro-intestinal medicine, the field that had produced Tagamet, its best-seller of the 1980s. It now concentrates on drug discovery in five areas: the central nervous system, heart and lungs, anti-infectives, inflammation and tissue repair, and vaccines.

And, since announcing a $125m link-up in May 1993 with Human Genome Sciences, it has become a leader in gene discovery.

Since SmithKline also has a diagnostics equipment arm, the company can claim to offer an integrated healthcare service from diagnosis through drug development, manufacture and sales to the management of the patients.

But there are question marks over the plan. Mr Ian Smith, pharmaceuticals analyst at stock broker Lehman Brothers, says the fashion for buying PBMs – Eli Lilly paid $4bn for another, called PCS, in July – is fading. He says they may have cost too much. SmithKline paid 57 times annual earnings for DPS, which will hurt the company's earnings per share for at least two years.

Nor can SmithKline take maximum advantage of the PBM links because of a ruling made by the US Federal Trade Commission in Lilly's deal. The FTC was concerned that PCS had commercially sensitive data on drugs it distributed that were manufactured by Lilly's rivals.

Last month, Lilly was forced to erect Chinese walls between the PBM and the rest of the company to block the flow of sensitive information. SmithKline quickly said it already had such Chinese walls in place. Nevertheless, says Mr Smith, access to such information was one of the planks on which SmithKline justified the high price it paid for DPS.

The success of its chosen strategy will easily be measured. Glaxo, Europe's biggest drugs market, has made no acquisitions yet. Only one is like to have picked the right road.

Additional reporting by Clive Cookson

UK set to name National Grid advisers

By David Lascelles and Michael Smith in London

The UK government is about to appoint financial advisers on the forthcoming flotation of the National Grid Company, Mr Tim Eggar, the energy minister said yesterday.

National Grid is owned by the 12 regional electricity companies in England and Wales, but the government holds a golden share and wants to ensure that electricity customers as well as shareholders benefit from the £4bn ($6.3bn) sell-off.

The decision to appoint advisers underlines the political sensitivity of the flotation, even though it involves companies privatised five years ago.

Earlier this week, Mr Michael Heseltine, the trade secretary, and Mr Eggar held talks with the regional companies about their plans, providing a further indication of the close interest the government will be taking in the flotation.

Mr Eggar said his department had not yet formed a view about the proposals. "There are clearly issues about the split between shareholder and customer and taxman. But we are at a very preliminary stage." He expected advisers to be appointed "very quickly".

Under plans up for discussion, the regional companies would inject between £750m and £1bn of debt into National Grid to enable it to pay them a large dividend.

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RJB Mining sees pits price cut by £100m

By Michael Smith

RJB Mining, the UK coal company bidding for the English mines of British Coal, is expected to tell investors today it has agreed with the government that it will pay nearly £100m less than the £914m ($1.43bn) it originally offered.

The company's pathfinder prospectus is understood to show that the "due diligence" exercise, involving detailed inspection of the regions's assets, has reduced the agreed price to between £815m and £820m.

The pathfinder, due to be published today, is also expected to disclose that RJB has negotiated to pay only £700m initially, with the balance to be settled in staged payments over two to three years.

As a result of the changes, RJB is seeking to raise about £900m in debt and equity. It previously told institutional investors that it would need £1.05bn. Neither RJB nor the government would yesterday comment on the deal.

The £100m reduction in the deal price is less than some of RJB's rival bidders had been expecting. However, the £815m-£820m final price, if confirmed, will be considerably higher than the next highest offer.

Only one other company, English Coal, a management buy-out team led by Mr Bob Siddall, put in a bid for all three regions. It is thought to have offered considerably less than £600m.

Fortis profits 15% ahead at nine-month stage

By Emma Tucker in Brussels

Fortis, the Dutch-Belgian financial services group, increased nine-month profits 15 per cent to Ecu411m ($338m) from Ecu357m for the same period of 1993.

Fortis, jointly owned by Amev of the Netherlands and AG of Belgium, said full-year net profit would also be about 15 per cent higher than in 1993.

The group said insurance companies in Europe and US life insurance activities were strong contributors to the results, which were also boosted by the banking and insurance activities of ASLK-CGER, the Belgian savings bank group.

Nine-month pre-tax banking results rose to Ecu207.4m from Ecu56m, helped by acquiring control of ASLK-CGER bank. Insurance profits rose 11 per cent to Ecu469.7m.

Demand drives Navistar up 95% at operating level

By Laurie Morse in Chicago

Navistar, the US manufacturer of heavy trucks and diesel engines, reported a 95 per cent increase in operating income in the fourth quarter. However, per-share earnings dipped because of a dilutive stock issuance since last year's fourth quarter.

Boosted by strong demand for most of its truck and engine products, Navistar reported net income of $23m, or 22 cents a share, compared with year-ago results of $22m, or 28 cents. Sales for the quarter rose to $1.55bn, from $1.3bn in 1993.

The jump in operating earnings, to $43m in the quarter from $22m a year ago, was offset by $20m in charges taken for environmental liabilities at two defunct factories.

For the year, Navistar had net income of $82m, or 72 cents a share, turning around last year's loss of $501m, or $15.19. Revenues for the year were $5.3bn, up from 1993's $4.7bn. For the 12-month period, Navistar's operating income improved to $102m, from last year's loss of $273m.

The company reported that a total of 134,200 medium trucks and school bus chassis, and 205,500 heavy trucks were sold industry-wide in North America during Navistar's fiscal year. "This was the highest level of heavy truck demand since 1979," said Mr James Cotting, chairman.

Based on order trends and other indicators, Navistar is predicting that North American demand for medium trucks and school bus chassis will rise 12 per cent in 1995, to 151,000 units. Its 1995 forecast for heavy truck demand is 205,000 units, about the same as in 1994.

Telecoms study Amadeus

By Alan Cane

Some of the world's leading telecommunications companies are vying to take a 25 per cent stake in Amadeus, the European computerised airline reservation service.

Cable & Wireless, the UK-based telecoms company, confirmed yesterday it was in talks with the Madrid-based organisation.

Amadeus said yesterday it had been looking for a new shareholder since 1991 when Scandinavian Airlines System, a founder member, pulled out of the organisation to cut costs.

It confirmed C&W was a potential bidder, but declined to identify the other telecoms companies. It said an early decision was unlikely, and suggested it might be three to six months before terms could be agreed with a successful bidder.

Amadeus was established by a group of airlines including Air France, Iberia and Lufthansa to create and manage a European airline reservation system in competition with Sabre of the US. The service is now breaking even at an operating level, although it says it would not be "interesting to our investors until 1995-96".

It has, however, become interesting to the large telecommunications operators because it offers the possibility of a direct entry into the global travel industry.

The big telecoms carriers are battling each other for business from multinational corporations, and services tailored to specific industries would give them a competitive edge. C&W, for example, is in talks with Schlumberger about a possible alliance in the oil business, and to Digital Equipment, the US computer manufacturer, about custom packages for a number of industries.

IBM changes marketing tactics

By Alan Cane

International Business Machines is offering potential customers in Europe up to $150,000 in services to move from competitors' systems, in a sharp departure from the its usual marketing practices.

The move, which applies to IBM's mid-range computer families only, is a dramatic change for a company which has always assumed leadership of any market in which it chose to compete.

The growing appeal of low-cost, industry standard systems based on common operating software is, however, forcing the giant to reconsider marketing tactics for its AS/400 and ES/9000 mid-range systems, which combine proprietary hardware and software.

IBM worldwide has returned to profitability after losing money for three years as customers turned away from proprietary systems. Europe, however, remains a black spot.

IBM has set up a competitive marketing unit headed by Mr Erwin Staudt, formerly with IBM Germany, to develop and implement marketing strategies to win customers from its competitors.

A campaign to run until the end of June 1995 promises customers moving from competitors' equipment to IBM up to $150,000 of "specialised transition support" to assist in the transfer. "We are so sure about the success of this campaign that we will allow customers to return systems newly leased from IBM six months after installation without further obligation," Mr Staudt said.

Dr Jane Doorly, computer analyst with the market consultancy Dataquest, said it was a dramatic change for IBM. It could, however, be seen either as a mark of returning confidence or as an indication of desperation.

N American gold merger fails on lack of investors

By Kenneth Gooding, Mining Correspondent

The proposed merger of four small North American gold companies into a medium-sized group has fallen through, partly because of lack of appetite among investors for gold equities.

The new management team at Denver-based Atlas Corporation had hoped to raise US$75m from international investors to buy:

- 37.2 per cent of Granges, a Canadian precious metals producer, for C$50.7m (US$36.9m) from MIM, the Australian resources group;
- 20 per cent of Dakota Mining, another Denver company formerly known as MinVen Gold, for between $15.8m and $18.4m;
- the rest of Grange's 50 per cent-owned Hycroft Resources.

The merger, which Atlas wanted to complete before the end of this year, would have created a group that might have qualified for inclusion in the new Financial Times Gold Mines Index.

Mr Steve Manz, president of Atlas, said yesterday the scheme began to look as if it might face problems when his company was able to raise only $50m of the $75m it was seeking, with the help of First Marathon Securities, in July. "There was a strike by gold investors. Most junior companies looking for capital pulled their offerings," he said.

Subsequently, Atlas acquired the Granges stake but decided not to proceed with the Dakota acquisition, partly because the terms would have involved it paying $4 a share compared with a market price which had dropped to $1.50.

Mr Manz says Atlas now has the support of enough other Granges shareholders to take control of that company's board at the annual meeting, which must be held before the end of June next year.

The ultimate objective is a full merger of Atlas, Granges and Hycroft, to produce a group with an annual output in 1996 of at least 150,000 troy ounces of gold.

CIBC lifts payout as profits surge

By Bernard Simon in Toronto

Canadian Imperial Bank of Commerce has underlined the strong improvement in Canadian banks' performance by posting record earnings for fiscal 1994, and lifting its dividend by 12 per cent.

Net earnings climbed to C$890m (US$647.1m), or C$3.52 a share, in the year to October 31 1994, from C$730m, or C$2.99, a year earlier.

Return on equity rose to 11.7 per cent from 10.6 per cent. Return on assets climbed to 0.60 per cent from 0.53 per cent.

The quarterly dividend has been raised by four cents to 37 cents a share.

The bank, Canada's second-biggest financial institution with assets of C$151bn, said it expected to benefit in the year ahead from stronger economic growth and significantly lower loan losses.

Non-performing loans shrank to C$1.5bn on October 31 from C$2.4bn a year earlier. Loan losses for the year fell to C$880m from C$920m.

CIBC is aggressively expanding operations in New York and London in an attempt to become a leading force in international derivatives markets.

The bank said its revenues were boosted by strong growth in securities, insurance, mutual funds management and credit businesses. However, investments in the expanding derivatives operations, and in the fledgling insurance and trust businesses, contributed to a 10 per cent jump in non-interest costs.

- National Bank of Canada posted a 36 per cent gain in fourth-quarter net profit to C$57m, or 29 cents a share, bringing return on equity to 10.6 per cent and on assets to 0.51 per cent, reports Robert Gibbens in Montreal. Interest margins improved, home mortgages and business loans were up and loan-loss provisions were lower. Higher fee income offset a lower contribution from the brokerage unit.

Fiscal 1994 net profit was C$217m, or C$1.12, up 24 per cent from C$175m, or C$1.01, in fiscal 1993. Return on equity was 10.5 per cent against 9.9 per cent, and on assets 0.50 per cent, up from 0.44 per cent.

National, Canada's sixth-largest bank, reported assets at October 31 were almost C$45bn, up 5 per cent from a year earlier.

Litton ahead 24% despite sales fall

By Richard Tomkins in New York

A big cut in interest charges helped Litton Industries, the US defence group, report a 24 per cent increase in net earnings to $32.1m from continuing operations for its first quarter to October.

In the comparable quarter Litton made $25.9m after tax excluding the contribution from its non-defence businesses, which were spun off to shareholders earlier this year.

Earnings per share from continuing operations rose from 55 cents to 68 cents.

Litton has a substantial defence electronics business and builds warships. But like other defence contractors, it has been suffering the effects of the global downturn in defence spending.

Sales declined by 6 per cent to $788m, and although the company achieved an improvement in operating margins in its advanced electronics business, total operating profits declined from $69.6m to $68.4m.

Net interest paid fell from $9.6m to $1.3m, resulting from the early extinguishment of high-cost debt in July.

Hewlett-Packard opens prices war

By Tony Jackson in New York

Hewlett-Packard, the US electronics manufacturer, is cutting the price of some of its desktop personal computers by up to 26 per cent.

The move is seen as innovative for the company which, as one of the smaller producers of PCs, has previously taken the lead on price from its larger competitors.

Hewlett-Packard said it was cutting prices across its Vectra range of PCs, and claimed it would undercut rivals Compaq and IBM by as much as 40 per cent for comparable machines.

It is also cutting prices on its servers, used to link office PCs, by up to 22 per cent.

The company said the cuts were made possible by increased manufacturing volume, distribution efficiencies, lower component prices and newly-expanded distribution channels.

Last month, Hewlett-Packard announced a 60 per cent jump in fourth-quarter earnings, to $476m, on sales up 23 per cent. Chairman Mr Lew Platt cautioned that this exceptional rate of growth might not continue. The shares fell $1⅝ to $96⅝ early yesterday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.24	10.13	10.13
0100	42.22	22.85	25.10
0130	42.22	27.84	30.09
0200	42.22	27.84	30.09
0230	42.22	27.84	30.09
0300	9.83	27.84	30.09
0330	9.29	9.33	11.59
0400	9.22	9.33	11.59
0430	9.22	9.33	11.59
0500	9.22	9.33	11.59
0530	9.24	9.45	11.70
0600	9.24	9.45	11.70
0630	9.21	9.45	11.70
0700	28.54	27.36	29.61
0730	30.58	28.21	29.46
0800	35.95	28.75	31.00
0830	46.41	28.75	31.01
0900	36.15	36.58	38.64
0930	38.84	44.82	48.89
1000	38.14	44.63	48.90
1030	38.07	36.80	38.88
1100	46.38	36.80	38.87
1130	46.38	36.80	38.87
1200	46.36	44.82	48.89
1230	46.32	44.81	48.88
1300	48.26	36.57	38.83
1330	33.67	28.75	31.01
1400	33.85	28.75	31.00
1430	30.93	28.75	31.00
1500	30.93	28.75	31.00
1530	30.95	28.75	31.00
1600	37.88	28.75	31.01
1630	59.87	41.31	44.07
1700	107.83	50.76	56.09
1730	123.60	68.34	74.08
1800	107.00	68.00	73.51
1830	71.53	53.31	58.99
1900	48.31	42.24	44.82
1930	38.03	39.79	42.10
2000	30.58	40.03	42.29
2030	35.76	28.75	31.00
2100	30.38	28.76	31.00
2130	29.69	28.82	30.87
2200	28.54	28.82	30.87
2230	28.11	27.11	29.38
2300	28.54	27.36	29.61
2330	9.27	21.96	24.28
2400	9.22	9.45	11.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

I.T.C. Limited

Financial Results Unaudited (Provisional) for the Six Months ended 30th September, 1994

(Rs. in Million)

		Six Months Ended 30.09.94	Six Months Ended 30.09.93	Twelve Months Ended 31.03.94
* GROSS INCOME		23203.6	20870.5	42801.2
*GROSS SALES TURNOVER		22774.3	20519.7	42109.1
Less: Duties		10941.7	9433.9	18587.4
NET SALES TURNOVER	[1]	11832.6	11085.8	23521.7
OTHER INCOME	[2]	429.3	350.8	692.1
NET INCOME (1 + 2)		12261.9	11436.6	24213.8
Less:				
TOTAL EXPENDITURE	[3]	9781.6	9128.0	19344.8
INTEREST	[4]	445.9	685.5	1105.4
GROSS PROFIT (1+2-3-4)	[5]	2034.4	1623.1	3763.6
Less:				
DEPRECIATION	[6]	174.9	132.9	263.2
PROFIT BEFORE TAX (5-6)		1859.5	1490.2	3500.4
Less:				
PROVISION FOR TAXATION	[7]	697.8	600.0	1437.2
NET PROFIT (5-6-7)	[8]	1161.7	890.2	2063.2
PAID-UP EQUITY SHARE CAPITAL	[9]	1213.2	1167.3	1212.3
RESERVES EXCLUDING REVALUATION RESERVES	[10]			5241.2
EXPORT/FOREX TURNOVER		4150	3560	8220

Notes: I) Increase in Share Capital: a) Euro Issue - Consequent upon receipt of necessary approvals, the Company had made an International Offering of 4,500,000 Global Depositary Receipts (GDRs) with 1,500,000 Warrants to subscribe for GDRs, such Warrants being exercisable during the period from 20th April, 1994 to 20th October, 1995 into Warrant GDRs with underlying Ordinary Shares at an exercise price per Warrant of US $ 15.30 subject to adjustment, if any. The Company had issued and allotted 85,150 Ordinary Shares in favour of Citibank, N.A., New York, ADR Dept., N.Y., the Depositary towards exercise of 85,150 Warrants. b) Bonus Issue - Consequent upon receipt of necessary approvals, the Company had also issued and allotted on 17th November, 1994, 121,318,177 Ordinary Shares as fully paid up Bonus Shares in the proportion of one such Bonus Share for every existing Ordinary Share held by the Members of the Company as on the Record Date i.e. 6th October, 1994. c) The Issued, Subscribed and Paid-up Share Capital of the Company from 17th November, 1994 is Rs. 2426.4 million.

II) In a case in respect of the Saharanpur Factory, pending from 1988, the Collector (Appeals), Ghaziabad, has passed an Order in October, 1994 demanding Rs. 760 million. The Company has preferred an Appeal and an Application for Stay before CEGAT, which is pending. Based on Counsel's advice, the Board of Directors is of the opinion that the Order is patently unsustainable as it is in gross violation of the law laid down by CEGAT in an earlier case involving the Company regarding the correct interpretation of Rule 5 of the Central Excise (Valuation) Rules. The Company accepts no liability in respect of the demand raised as it has been advised that the aforesaid Order is without any legal basis.

III) The above is as per Stock Exchange Regulations and does not take into account the excise issues disputed by the Company.

Registered Office:
Virginia House, 37 Chowringhee, Calcutta 700 071, India
Dated: 25th November, 1994

(Sd/-)
B. MITTER
Director

India Tobacco Division • Indian Leaf Tobacco Development Division • Packaging & Printing Division • Welcomgroup - Hotels Division • International Business Division
Agri-Businesses Division • Tribeni Tissues Division • Financial Services Division
ITC Bhadrachalam Paperboards Limited - a company promoted by ITC

CONTRACT.ITC.2.94.94

INTERNATIONAL COMPANIES AND FINANCE

ABB takes stake in Chinese power equipment maker

By Louise Lucas in Hong Kong

Asea Brown Boveri (ABB), the Swiss-Swedish power group, has taken a 4.5 per cent stake in Harbin Power Equipment Company, a former China state-owned enterprise which is in the process of listing in Hong Kong.

ABB is buying 21.6m shares at HK$2.58 each, for a total of HK$55.73m (US$7.2m). The pricing puts the stock on a price/earnings multiple of 12.15 times 1995 earnings, according to S.G. Warburg Securities (Far East), lead manager of the offering.

In total, Harbin is raising HK$1.24bn by selling off 40 per cent of its enlarged capital. Of the 480m shares issued, 408m shares are being placed privately and the remainder will be sold to the public in Hong Kong.

Although a relative latecomer to the China market, ABB has been aggressively gearing up its mainland expansion plans in the past two years and is shifting its regional headquarters to Beijing from Hong Kong.

The Chinese government's reluctance to see a pillar industry like power fall into the hands of foreign companies has made it tougher for such companies to build China operations than, for example, their consumer goods peers.

Harbin Power Equipment, the biggest manufacturer of power generating sets in China, is expected to receive a relatively warm reception when trading starts on December 19.

Compared with the recently-listed Dongfang Electrical, which also makes generators, Harbin scores a premium on both technology and production. It is also cheaper, with Dongfang trading on a p/e of 14 times.

However, Harbin comes to market at a time when sentiment is poor and the power sector remains clouded by uncertainties over the level of return foreigners will be able to achieve.

Montedison's rehabilitation moves a step further

The Italian group is focusing on implementing the industrial part of its rescue plan, writes Andrew Hill

Last month, Mr Stefano Meloni, a senior executive at Montedison, told Les Echos, the French business newspaper, that the Italian industrial company and its parent, Ferruzzi Finanziaria (Ferfin), were destined to rejoin the Milan stock exchange's small band of blue-chip stocks.

Only a year earlier, the Ferruzzi-Montedison group came within four and a half hours of a very different fate: a bankruptcy filing, followed by ignominious break-up and sale.

The team brought in last June to rescue Ferruzzi-Montedison has talked little, outside shareholder meetings, about how this recovery is being achieved. When they do talk, it is in clipped understatements. In last year's annual report for Ferfin, Mr Guido Rossi, now chairman of both companies, described 1993 simply as "a year full of events".

Given the group's recent history, such discretion is understandable. In the late 1980s, under the flamboyant chairmanship of Mr Raul Gardini, who committed suicide last year while under investigation for corruption, the group invested in television, newspapers, yacht-builders, property and objets d'art, and was often in the headlines.

This extravagance, coupled with corruption and alleged mismanagement, helped bring Ferfin and Montedison to their knees. By the end of June 1993, the two companies were labouring under a burden of gross debt which topped L30,000bn ($18bn). They have survived the last year due mainly to the willingness of most of the group's bank creditors to reschedule debt, cancel 1993 interest income and underwrite "rescue" rights issues, converting debt into equity.

By June of this year, net debt at Ferruzzi-Montedison had fallen to just over L18,000bn, following the capital-raising and a continuing asset sales, which have contributed more than L2,300bn towards a target of L7,000bn for disposals.

That Ferruzzi-Montedison was saved does not seem so surprising now. It was, after all, the second largest listed industrial group in the country, and the political implications of bankruptcy would have been enormous.

It was not clear until the last moment, however, whether Mediobanca, the Milan merchant bank advising Ferruzzi-Montedison, could cajole enough creditor banks to sign up to the programme.

Although the debt restructuring has been the focus of attention, staff at the group's regal Milan headquarters (for sale, like many of the company's property assets), know Ferruzzi-Montedison must now consolidate its position. That means implementing the ambitious industrial part of the rescue plan contained in the four slim green paperbacks – the road-map to the group's future.

This is the main task of Mr Rossi, a company law expert and former head of Consob, the Italian stock exchange watchdog, and Mr Enrico Bondi, former managing director of Gilardini, a Fiat unit, who joined the group as managing director at the same time.

The industrial part of the plan is founded on three main pillars within Montedison – the agro-industrial side, represented by Eridania Béghin-Say, the quoted French subsidiary, chemicals (Montecatini) and energy (Edison). The plan also envisages Ferfin retaining its 30 per cent stake in Fondiaria, one of Italy's leading insurers, even if market speculation suggests a sale is possible.

More than 61 per cent of the L5,900bn of investment envisaged over the four years of the plan will be spent on developing capacity, 29 per cent on renewing plant and most of the rest on environmental improvements. As the biggest contributor to turnover, the agro-industrial business will receive the largest share of investment.

Agro-industry also provides the stable basis on which to expand the energy and chemicals arms of the business. Defence against cyclical recession is one reason why the group says it has stuck together as an unfashionable multinational conglomerate, rather than splitting into three or four smaller, more vulnerable units.

In certain areas, the group may even be doing better than the plan's forecasts. For example, a surge in the price of polypropylene – an area in which Montedison is the world leader – has helped the chemicals sector. US regulatory approval for Montell, the polypropylene joint venture with Royal Dutch/Shell, would provide a further morale boost for the company, and rid Montedison of more debt.

By 1997, the group also hopes to double turnover at Edison, Italy's biggest private electricity producer, and may also benefit from the privatisation of the state company, Enel, which will have to sell off parts of its production capacity in the next three to four years.

If enough progress is made, the group is also likely to consider further expansion, by acquisition, and growth in new geographic markets, such as China.

Analysts admit they are impressed by the new team's work, although they believe some of the group's forecasts – particularly on Edison's development – could be over-ambitious. However, Ferfin and Montedison are showing the benefits of the work put in by Mr Rossi, Mr Bondi and other new managers. Both companies returned to pre-tax profit in the first half of this year.

The apparent success of the programme is raising questions about the future structure of the whole group. Investors have begun to wonder whether the Ferfin holding company might merge with Montedison once once the main outstanding asset sales have been achieved.

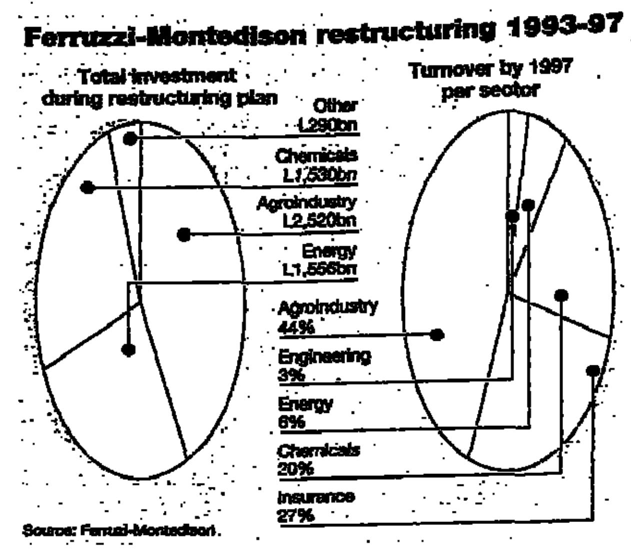
Ferfin's rights issues at the beginning of the year were almost entirely underwritten by creditor banks, which have seen the share price tumble from around L1,800 to about L1,300 now.

Apart from Serafino Ferruzzi, the troubled Ferruzzi family holding company, the top five shareholders in Ferfin are Italian banks.

Montedison's share register, by contrast, includes a spread of investment funds which subscribed to the rights issue. Over the same period, Montedison shares have risen from about L960 to more than L1,160.

Ferfin and Montedison may already answer with one voice, and share the same chairman and managing director, but in the last month they have formally denied rumours of an imminent merger. It is not, the companies patiently explain, in the plan.

Ferruzzi-Montedison restructuring 1993-97



Source: Ferruzzi-Montedison.

Rembrandt hit by mining write-down

By Mark Suzman in Johannesburg

Rembrandt Group, the tobacco-based conglomerate controlled by South Africa's Rupert family, has reported a fall in net income to R508m ($143m) for the six months to September, down from R531m a year ago.

The main reason for the drop was an extraordinary item of R114.3m, which represents the group's share of the write-down by mining house Gold Fields in its troubled platinum subsidiary, Northam Platinum.

Its figures were also hurt by the decision not to equity account its interests in the unbundled components of the Gencor group, Engen, Malbak and Sappi, and its share of losses due to the start-up costs of cellular phone network Vodacom. However, dividends from these companies were included as investment income.

In spite of this, operating income rose to R548m from R533m, while tax paid dropped to R189m from R212m. However, a rise in debt to R936m from R354m, led to higher interest paid at R45m, against R24m previously.

Turnover, comprising sales, fees, rental and investment income, rose to R2.48bn from R2.23bn and an interim dividend of 19.6 cents, up from 17.04 cents, was declared.

The company gave no breakdown of performance by units, but analysts estimate that the contribution of tobacco, where the company has 60 per cent of the local market, may have been hit by higher tobacco taxes.

Asian companies plan telephone network

Four south-east Asian companies signed a memorandum of understanding to develop a common telephone network in the East Asean Growth Area (EAGA), according to Philippine Long Distance Telephone's assistant vice-president, Mr Ramon Obias, Reuter reports from Manila. The EAGA joins parts of the Philippines, Malaysia, Indonesia and Brunei.

The memorandum involves the PLDT, Jabatan Telekom Brunei, Indosat of Indonesia, and Telekom Malaysia. The proposed common facility will cover the entire Mindanao area in the Philippines, Brunei's Negara province, North Sulawesi, East and West Kalimantan in Indonesia and Labuan, Sabah and Sarawak in Malaysia.

The network will allow direct telephone traffic between these areas without calls having to pass through their separate international gateways.

● Philippine Long Distance Telephone said it had completed a public offering, at $50 a share, of $212.5m worth of global depository shares representing 4.25m shares of convertible preferred stock.

Posco to seek London and Hong Kong listings

Pohang Iron and Steel Co (Posco), South Korea's largest steelmaker, plans to list on the London and Hong Kong stock exchanges in 1995, following this year's listing on the New York Stock Exchange, writes Our Financial Staff. Posco's listing in New York was the first by a South Korean company.

A company spokesman said Psoco's crude steel production was expected to rise to 22.68m tonnes next year from 22.07m this year.

It expects net profit to rise 13 per cent to Won332.3bn ($418.2m) in calendar 1994 from Won294.6bn, and sales to rise to Won7,310bn from Won 6,920bn last year. The spokesman said: "Our plan for 1995 calls for a net profit of Won340bn on sales of Won7,350bn."

The company plans to spend about Won3,000bn next year, about double this year's amount, to upgrade and expand production facilities.

In October, Korea Electric Power became the country's second company to list on the New York Stock Exchange, raising about $300m in a global equity offering of 14.9m American depositary shares.

Indonesian engineering group to go public

By Manuela Saragosa in Jakarta

Bukaka Teknik Utama, an Indonesian engineering company, is to sell 40m shares at Rp3,500 each in an initial public offering (IPO) this month. Bukaka said half the capital raised would finance expansion and the rest to repay debts.

To date, 80 per cent of the company's products and services, which include power transmission towers, passenger boarding bridges for airports and coal-handling systems, are sold to Indonesia's public sector.

In 1992 Bukaka exported its first passenger boarding bridge and since then it has sold bridges to airports in Japan, Thailand and Singapore.

Mr Sadel Muhammad, president and chief executive officer, said that Bukaka would continue to target Asia-Pacific economies and step up exports of oil and gas equipment, transmission towers and bulk-handling systems.

Bukaka's net profit last year was Rp9.1bn ($4.2m) on sales of Rp151bn.

This year the company expects a net profit of Rp15.4bn.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Short-dated sector sees further offerings

By Graham Bowley

Continued strong demand for short-dated paper prompted further eurobond issuance in the three- to five-year area yesterday.

Bayerische Landesbank and Bayerische Vereinsbank Overseas Finance launched three- and four-year offerings respectively in the US dollar sector.

INTERNATIONAL BONDS

The Australian dollar sector saw two deals in three- and five-year maturities.

This continues a trend of recent weeks, during which there has been a flood of short-dated issues as borrowers have moved to exploit a surge in demand from European retail investors.

Activity has been at its most intense in the dollar sector, with investors – most notably Swiss – attracted by yields of around 7.8 per cent, which compare favourably with 10-year yields of around 7.9 per cent.

"With US inflation at around 2.6 per cent, this implies a very attractive real yield of more than 5 per cent," said one dealer. "There is very little incentive for investors to go further along the yield curve and demand is high," he added.

However, "the supply at the short-end has now started to get to the point where it is overwhelming demand," another dealer warned.

Bayerische Landesbank's $200m offering, priced to yield 15 basis points over US Treasuries, was prompted by the success of its $300m issue of three-year bonds launched last week, book-runner Lehman Brothers said.

Yesterday's offering drew similar demand from European retail investors and investors in Asia, it added.

Bayerische Vereinsbank's $200m offering, similarly priced at 15 basis points over US Treasuries, will be taken up by Swiss retail investors over the coming days, in spite of difficult market conditions yesterday, said lead manager SBC.

In the Australian dollar sector, Commerzbank Overseas Finance launched a A$125m issue of five-year bonds, offering a coupon of 10.5 per cent, which met demand from Swiss, German and Benelux retail investors, lead manager Hambros said.

Caja de Madrid, Spain's second largest savings bank, is to make its debut in the eurobond markets next week with a $200m offering of three-year floating-rate notes, according to J.P. Morgan.

Pakistan is reported to be close to taking its first step in the international bond markets with a eurodollar offering of around $200m. Market sources said Bear Stearns had been mandated to lead the offering, which could come soon after Pakistan completes a series of roadshows at the end of next week.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bayerische Vereinsbank O'seas	200	8.00	99.99R	Dec.1998	0.225R	+15(i)	Swiss Bank Corp.
Bayerische Landesbank(a)	200	7.75	99.65R	Dec.1997	0.1875R	+15(7¾%-97)	Lehman Brothers Intl.
YEN							
Korea Development Bank(l)★	10bn	4.20	99.99	Dec.1998	0.40	-	Nomura International
STERLING							
Prospect 1(b,l)‡	140	(b1)	99.85R	Dec.2003	0.20R	-	UBS
D-MARKS							
Swiss Bank Cp., Jersey Branch	400	7.00	99.82R	Jan.2000	0.25R	+10(7%-99)	Swiss Bank Corp. Fin
AUSTRALIAN DOLLARS							
Commerzbank O'seas Finance	125	10.50	101.41	Jan.2000	2.00	-	Hambros Bank
New Sth.Wales Treasury Corp.★	100	4.50#	87.324	Dec.1997	1.375	-	Nomura International

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched 22/11/94 was increased to $500m. b) Collateralised consumer loans originated by HFC Bank. Mezzanine tranche: £20m, 9 yrs, 3-mth Libor +80bp, par. b1) 3-mth Libor +20bp. i) Over interpolated yield. l) Long 1st coupon.

News of lower prices limits fall in US Treasuries

By Lisa Bransten in New York and Martin Brice in London

News of continued economic expansion pushed US Treasury prices lower yesterday morning, but a broad sell-off was held back by a modest decline in prices paid by US manufacturers.

By midday the benchmark 30-year government bond was down $\frac{5}{32}$ to 94, yielding 8.026 per cent and the two-year note was down $\frac{1}{32}$ to 99$\frac{29}{32}$, yielding 7.421 per cent.

The market held relatively steady until the mid-morning release of the National Association of Purchasing Managers index, which rose to 61.2 per cent in November from 59.7 per cent in October. Although November's figure was the highest in more than 10 years, it was not strikingly out of line with economists' expectations.

Better news for the bond market was that an NAPM sub-index of prices paid for manufacturing materials fell slightly in November.

GOVERNMENT BONDS

The decrease bolstered the dollar, which had risen against both the yen and the D-Mark by midday. A stronger dollar helps bonds by encouraging foreign investors to maintain their holdings.

Mr Ralph Kauffman, chairman of NAPM, attributed the fall in prices to seasonal factors, however, not to economic slowdown, and said he anticipated continued expansion.

The market paid little attention to economic data released earlier showing a larger than expected increase in personal income and a moderate rise in construction expenditure.

■ UK gilts drifted slightly lower as investors searched in vain for a strong lead from the US. Analysts said the market was waiting for the US non-farm payroll figure today.

The December long gilt future moved down $\frac{1}{32}$ to trade around 103$\frac{1}{32}$. The yield spread over bunds was around 129.

Mr Nigel Richardson at Yamaichi said gilts were positioned to rise. He said the issue of tap stock by the Bank of England on Monday had been interpreted as a signal that the Budget would be good for gilts.

In the event, the Budget had been interpreted cynically by the market, and investors were worried about future tax cuts, inaccurate growth forecasts and that the Labour party would be in power during the period covered by current forecasts of government spending.

However, Mr Richardson thought that even if taxes were cut next year, that would be unlikely to upset gilts too much. Even if forecasts were incorrect, the public sector borrowing requirement was likely to remain below 3 per cent of GDP and a Labour government would be unlikely to take spending above that level.

■ German bunds drifted in slow trading. The December bund futures contract on Liffe ended at 91.23, up 0.01.

Mr Reimut Jochimsen, a Bundesbank council member, said the bank remained concerned at the rise in producer prices. Ms Jane Berryman at Technical Data said: "Evidence continues to mount that German authorities have little if no scope to loosen monetary policy any further."

■ The Italian market outperformed others yesterday as investors took cheer from agreement on pensions reform. The December bond futures contract on Liffe ended at 101.87, up 0.27. But Mr Pio de Gregorio at NatWest Markets said: "The watering down of the [pensions] reform ... increases the likelihood that the government will have to resort to a supplementary package sometime next year if the deficit target is to be met."

Investment grade rating restored to India

By Richard Lapper

India has regained an investment grade rating on bonds it sells to international investors, which could widen the pool of potential buyers and help cut borrowing costs.

Moody's Investors Service, the US rating agency, yesterday raised the debt rating of India's foreign currency debt to Baa3, the lowest investment grade, from Ba2.

India's bond ratings were downgraded in 1991 as a result of financial difficulties.

Standard & Poor's, another leading US credit rating agency, continues to rate the country's long-term debt at BB plus, just below investment grade status.

Announcing the increase, Moody's said the move was justified by the success of the government's structural adjustment programme.

"Basically, the reform process has been developing steadily for a long time," explained Mr David Levey, managing director of sovereign risk at Moody's. "We are seeing significant benefits for economic growth and efficiency.

"Reserves have increased and there has been substantial inflows of equity and direct investment," he added. "There has been a turning point in the psychology of the country."

The increased rating directly affects eurobonds issued by the Oil and Natural Gas Corporation, which are fully guaranteed by the republic. In addition it could indirectly help local companies raise capital on the international debt markets and could increase the number of institutional investors prepared to buy Indian company shares.

Russian bank files for ADR issue

By Richard Lapper

AvtoVAZbank, a regional Russian bank owned by AvtoVAZ, the country's biggest motor company, has filed an application to issue American depositary receipts.

The company is the first from Russia to make such an application, although two bigger companies – Lukoil, the oil company, and United Energy Systems of Russia, an electric power company – are expected to follow suit in the next few months. Other Russian companies, including Gazprom, the big gas company, are also planning issues.

AvtoVAZbank is filing to issue so-called "level one" depositary receipts, which means it has to meet less stringent disclosure standards than those typically associated with formal US stock listings. In addition, it need not file accounts according to standard US principles.

The paper does not allow it to raise new capital in the US but the ADRs, backed by existing shares, can be traded there.

New capital could be raised either through a full listing of shares or through a private placement of ADRs under the Securities and Exchange Commission's rule 144a.

"This is very much a first step," says Mr Christopher Kearns of the Bank of New York, which will issue the ADRs and hold the Russian stock in its name.

He expects both Lukoil and UES to have ADRs in place in the first quarter of 1995.

"Many companies have ambitious long-term goals. Many have large capital needs which they see will only be satisfied outside of Russia," he added.

Loan for Sweden more than 60% oversubscribed

By Martin Brice

Underwriting for the tightly-priced $5bn syndicated loan for Sweden has been oversubscribed by more than 60 per cent.

The Swedish government asked J.P. Morgan, the investment bank, to arrange a syndicate of banks to underwrite a total of $5bn. Pricing on the loan was set at 8 basis points over the London interbank offered rate (Libor).

The 27 banks in the syndicate offered to underwrite a total of $8.1bn, J.P. Morgan announced yesterday.

The lead underwriters are ABN Amro, Bank of Tokyo, Paribas, Barclays, Bayerische, BBL, BNP, Citibank, Commerzbank, Credit Suisse, Dai-Ichi Kangyo, Dresdner, Fuji, IBJ, Midland, Mitsubishi, Morgan Guaranty, NatWest, Nordbanken, Sakura, Enskilda, Société Générale, Sumitomo, Svenska, Swedbank, SBC and WestLB.

● A FFr2bn syndicated loan for Cerus, which is part of the De Benedetti empire, has been launched into general syndication. Arrangers for the revolving credit, priced at 50 basis points over Libor, are BNP, Indo-Suez and UBS. The loan has a commitment fee of 25 basis points and is secured on shares in Valeo, the automotive component group.

● A DM100m loan arranged by Chemical Bank for Veitsiluoto, the Finnish pulp and paper group, has been increased to DM150m after being oversubscribed.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.6800	+0.690	10.37	10.36	10.58
Belgium		7.750	10/04	98.5500	-0.110	8.27	8.27	8.56
Canada *		6.500	06/04	83.5000	+0.100	9.14	9.09	9.22
Denmark		7.000	12/04	89.4500	-0.020	8.61	8.63	9.04
France	BTAN	8.000	05/98	102.1250	-	7.27	7.35	7.55
	OAT	6.750	10/04	92.3100	-0.010	7.90	7.99	8.39
Germany Bund		7.500	11/04	101.1800	-0.020	7.33	7.37	7.59
Italy		8.500	08/04	81.1000	-0.800	11.83†	11.79	11.89
Japan	No 119	4.800	06/99	103.4000	+0.140	3.92	4.00	4.06
	No 164	4.100	12/03	96.4660	+0.120	4.66	4.67	4.69
Netherlands		7.250	10/04	98.5500	-0.070	7.46	7.47	7.69
Spain		8.000	05/04	81.7700	-0.320	11.20	11.08	11.31
UK Gilts		6.000	08/99	90-29	-2/32	8.37	8.25	8.63
		6.750	11/04	88-21	-	8.46	8.42	8.74
		9.000	10/08	104-18	+1/32	8.44	8.48	8.70
US Treasury *		7.875	11/04	99-18	-1/32	7.94	7.83	7.95
		7.500	11/24	94-00	-8/32	8.03	7.97	8.09
ECU (French Govt)		6.000	04/04	85.2500	-0.020	8.32	8.41	8.76

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.51	Two year	7.39
Broker loan rate	8¼	Two month	5.58	Three year	7.60
Fed.funds	5¾	Three month	5.71	Five year	7.76
Fed.funds at intervention	-	Six month	6.22	10-year	7.90
		One year	6.69	30-year	8.01

BOND FUTURES AND OPTIONS

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.00	101.91	+0.31	102.15	101.80	36058	32646
Mar	100.90	100.78	+0.31	101.05	100.66	14740	24433

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Dec 1	Day's change %	Wed Nov 30	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	120.41	+0.02	120.39	2.30	9.83
2 5-15 years (22)	141.19	+0.11	141.04	2.27	11.49
3 Over 15 years (9)	159.13	+0.29	158.67	3.18	10.87
4 Irredeemables (6)	179.88	+0.55	179.14	1.03	13.71
5 All stocks (60)	138.33	+0.11	138.18	2.44	10.93
Index-linked					
6 Up to 5 years (2)	187.12	+0.01	187.11	0.83	5.07
7 Over 5 years (11)	174.21	+0.01	174.20	1.29	4.36
8 All stocks (13)	174.68	+0.01	174.65	1.24	4.41
Debentures and Loans					
9 Debs & Loans (77)	128.45	-0.44	129.28	0.88	10.72

Yields	Low coupon Dec 1	Low coupon Nov 30	Low coupon Yr. ago	Medium coupon Dec 1	Medium coupon Nov 30	Medium coupon Yr. ago	High coupon Dec 1	High coupon Nov 30	High coupon Yr. ago
5 yrs	8.42	8.41	5.81	8.45	8.46	6.08	8.61	8.62	6.21
15 yrs	8.33	8.36	6.66	8.46	8.48	6.78	8.69	8.73	6.97
20 yrs	8.29	8.33	6.76	8.48	8.48	6.80	8.61	8.65	6.98
Irred.†	8.36	8.41	6.66						

Index-linked	Inflation 5% Dec 1	Inflation 5% Nov 30	Inflation 5% Yr. ago	Inflation 10% Dec 1	Inflation 10% Nov 30	Inflation 10% Yr. ago
Up to 5 yrs	3.89	3.88	2.15	2.69	2.68	1.31
Over 5 yrs	3.86	3.86	3.05	3.67	3.67	2.87

Debentures and Loans	5 year yield Dec 1	5 year yield Nov 30	5 year yield Yr. ago	15 year yield Dec 1	15 year yield Nov 30	15 year yield Yr. ago	25 year yield Dec 1	25 year yield Nov 30	25 year yield Yr. ago
9 Debs & Loans (77)	9.49	9.48	7.52	9.42	9.44	7.79	9.36	9.40	7.91

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 25	Yr ago	High*	Low*
Govt. Secs. (UK)	92.33	92.08	92.00	92.46	92.09	105.14	107.04	89.54
Fixed Interest	109.36	109.14	109.14	108.90	108.89	128.67	133.87	108.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 30	Nov 29	Nov 28	Nov 25	Nov 24
Gilt Edged bargains	125.8	144.5	150.1	150.7	134.8
5-day average	141.2	144.1	140.5	141.5	140.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 1

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 8½ 03	1000	97⅞	98⅛		8.56
Alberta Province 7⅝ 98	1000	98⅜	98⅝	+⅛	8.12
Austria 8½ 00	400	101⅜	101⅞		8.15
United Kingdom 7¼ 97	5500	101⅛	101⅜		6.68
Volkswagen Intl Fin 7 03	1000	94⅜	95⅛	-⅛	7.92
World Bank 0 15	2000	20⅞	21¼		7.73
World Bank 5⅞ 03	3000	89¼	89⅝	-⅛	7.57
Abbey Natl Treasury 8 03 £	1000	92⅝	92⅞		9.30
Alliance Leics 11⅜ 97 £	100	105¼	105⅝	-⅛	8.80
British Land 8⅞ 23 £	150	89½	90		10.24
Denmark 8¾ 98 £	800	93⅞	94⅛	-⅛	8.73

[illegible]

Other sections of the service (Swiss franc straights, Yen straights, other straights, Deutsche Mark straights, floating rate notes, convertible bonds): [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

COMPANY NEWS: UK

Offer of 525p a share values electronic drives group at £204m

Emerson agrees bid for Control

By Paul Taylor

Emerson Electric of the US yesterday made a recommended cash offer of 525p a share for Control Techniques, valuing the electronic drives group at £204m.

The shares, which jumped sharply last month after the Powys-based group announced that it was in takeover talks with Emerson, closed 7p up at 521p.

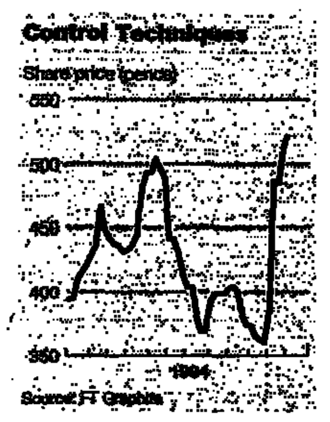
Following the bid announcement Emerson, which already held 11.4m shares in Control Techniques, equivalent to a 29.4 per cent stake, snapped up a further 3.07m shares at 525p in the market. Directors and their families have agreed to sell their 15.2 per cent holding.

As a result the US group now holds, has agreed to purchase or has received irrevocable acceptances covering a total of 20.4m shares, representing 52.5 per cent of the target's equity. Analysts viewed the deal as "cut and dried".

Emerson, advised by Goldman Sachs, said its offer represented a premium of 36.4 per cent over the middle market closing price of 385p on November 4, immediately before the announcement of the takeover discussions.

Control Techniques also announced results yesterday for the year to September 30. Based on its earnings per share of 19.7p (15.3p), the offer represents a historic multiple of 26.6. There is a full loan note alternative to the cash offer.

Despite a weak first half, Control pushed up annual pre-tax profits by 36 per cent to £12.4m (£9.1m). Sales rose 10 per cent to £116m (£105.3m).



A second interim dividend of 7p a share, makes a total of 9.6p (7.5p).

Mr Trevor Wheatley, chairman, said the outlook had changed dramatically in the space of one year. "We are witnessing significant increases in activity levels as a result of greatly increased orders from all around the world."

Control Techniques was set up as a specialised manufacturer of drives or controllers for electric motors in 1973 and has become one of the top three in Europe in its market niche, competing with companies such as Asea Brown Boveri, Toshiba and Mitsubishi.

The relationship between the two companies dates back to 1991 when Control acquired 80 per cent of ICD Drives, a New York subsidiary of Emerson, in exchange for 7.6m Control shares. ICD Drives was later renamed CT Drives.

Leeds' staff told of merger impact

By Alison Smith

Substantial closures in the branch network of the Leeds Permanent Building Society are unlikely for a year at least, despite the plans to merge with Halifax Building Society, Leeds' staff representatives have been told by the society's management.

The national council of the Leeds' staff association met yesterday for the first time since the proposed merger between two of the UK's largest societies was announced.

Its members approved 11 general principles to be followed in discussions with the Leeds' managers, including full disclosure of information about the merger, a commitment to no redundancies and the introduction of a voluntary early retirement plan.

In March the 10m members who own the two societies will have the chance to vote on the merger plans. Their consent is needed for the move to go ahead.

There is considerable overlap in the 1,100 branches operated by the two societies, so some branches are likely to close and some jobs to be lost. Staff representatives are emphasising that where branches do close, most employees should be able to transfer to other offices locally. Going through the full consultation procedures before branch closures would take about a year.

Mr Jon Foulds, Halifax chairman, said last week that where branches were too close together, the idea of using some of them as financial services advice centres would be carefully examined.

Though neither society has ruled out compulsory redundancies, it is clear they would prefer jobs to go voluntarily.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AAH	int	6	Mar 22	6	-	17.9
Alba	int	1.1	Apr 24	1	-	5
Anglian Gp	int	4.1	Feb 17	4.1	-	10.3
Azlan Group	int	1	Jan 31	-	-	2
Barlo	int	0.4♣	Jan 16	0.4	-	1
BPB	int	3.1	Jan 27	2.8	-	8.1
Castings	int	1	Jan 14	0.775*	-	2.6*
Cater Allen	int	8†	Jan 10	8	-	28
Control Techs	fin	7	Jan 31	5.15	9.6	7.5
Crabtree	fin	5	-	2	8	2
Gibbon §	int	2.2	Feb 16	2.2	-	5.5
GrandMet	fin	8.8	Apr 10	8.15	13.95	13
GRT Bus	int	1.4	Feb 15	-	-	-
Hanson	fin	3	Jan 6	2.85	11.7	11.4
Leeds Group	fin	4.2	Jan 26	3.83*	6.3	5.67*
MEPC	fin	14.75†	Jan 31	14.75	20	20
Mercury Eur Priv	int	0.6	Jan 18	-	-	-
Metro Radio §	fin	5.15	Jan 18	4	7.4	5.5
Orbis	int	0.125†	Jan 31	-	-	0.5
Rowlinson Secs	int	0.31	Jan 20	0.24	-	1.8
Royal Bank	fin	9.75	Feb 24	8	13.75	11
Seeboard	int	4	Jan 31	3.3	-	11.75
3i Group	int	2.8	Jan 31	1.92	-	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency. *Adjusted for scrip issue.

Brothers triumph at Barr

The rebel shareholders at Barr & Wallace Arnold Trust yesterday claimed a costly victory in the family feud over the motor and leisure group, writes Richard Wolffe.

The rebels, led by brothers Nicholas and Robert Barr, succeeded in their attempts to join the board in place of both the chief executive and finance director.

The Barr brothers now share the boardroom with their uncle, Mr Malcolm Barr, whom they had earlier asked to stand down as chairman.

At an extraordinary general meeting held in Leeds yesterday, the brothers voted to unseat Mr John Parker, chief executive, and Mr Brian Small, the finance director.

However, the board said the rebels' campaign had cost the company about £1m in severance payments and extraordinary meetings – equivalent to more than 20 per cent of pre-tax profits last year.

The Barr brothers, who speak for almost 30 per cent of ordinary voting shares, reaffirmed their intention to demerge the two divisions, and enfranchise the non-voting A shares.

They also appointed their leisure industry adviser, Mr Helmut Schweimler, to the board.

The boardroom coup follows the collapse of a compromise deal between the board and the rebels last weekend.

BFI set for victory in Attwoods bid battle

By Peggy Hollinger

The battle for Attwoods was all but over last night with hostile predator Browning-Ferris Industries of the US believed to have acceptances for substantially more than 55 per cent of the UK company.

The £391m cash bid needed acceptances of just 50.1 per cent to go unconditional. Earlier this week, BFI revealed it had won almost 43 per cent.

BFI refused to comment, but did say it was "very confident of success". However, it is believed that Attwoods' two largest shareholders, Fidelity and Templeton Investments, had either accepted by last night or were in the process of doing so.

Fidelity holds 11 per cent of Attwoods and Templeton about 13 per cent. This would give BFI 54 per cent, after allowing for the 29.8 per cent stake held by Laidlaw of Canada. Laidlaw agreed to sell its shares to BFI under the original lower offer of 109p per ordinary and 85p per preference share.

Last month, BFI raised the bid to 116.75p per ordinary and 92p per preference share, and promised to pay the proposed 3.25p final dividend. Attwoods' shares closed steady yesterday at 117p.

The Attwoods camp was last night reluctant to concede defeat before today's deadline. Nevertheless, it appears that shareholders have rejected the waste company's promise to return greater value through a break-up plan, in spite of interest from both Waste Management International and Cleanaway in the UK businesses.

Analysts in London said the break-up had offered "too little, too late" to tempt shareholders away from BFI's cash offer.

Meanwhile, BFI announced it had won government approval for the takeover of Attwoods' businesses, which include substantial operations in Florida and the mid-Atlantic states. But it will have to sell a number of routes in four states.

BPB shrugs off price war reports with 73% jump

By Andrew Taylor, Construction Correspondent

BPB Industries, Europe's biggest plasterboard manufacturer, yesterday shrugged off reports that a price war had restarted in Germany by announcing a 73 per cent rise in pre-tax profits from £44m to £76.1m in the six months to September 30.

Mr Jean-Pierre Cuny, chief executive, said that prices on average had fallen by 9 per cent in Germany during the previous 12 months.

Knauf, the largest German producer, however, had just announced rises of between 10 and 15 per cent in Germany and 6.5 per cent in the UK to take effect early next year. There was every indication that these price rises would stick, said Mr Cuny.

He expected prices to rise by about 4 per cent in France.

Group profits in the first half, in the absence of further price recovery, had grown strongly on the back of record plasterboard sales as construction markets, particularly for housing, had begun to pick up in many European countries.

Group turnover had risen by 9 per cent to £625m (£574.3m). Earnings per share rose from 6p to 10.4p with an increased interim dividend of 3.1p (2.8p).

Operating profits rose by 49 per cent to £76.6m (£51.3m), while a much reduced interest bill of £5.3m (£11.8m) further enhanced the pre-tax rise.

Mr Cuny said operating profits were significantly higher in the UK and France, while German profits were also higher because of increased sales, particularly in eastern Germany, underpinned by high demand for housing.

Mr Cuny said plasterboard profits in Canada and South Africa had also risen sharply. The two regions regions account for about 18 per cent of BPB sales.

Elsewhere paper and packaging improved from a £0.3m loss to £6.8m profits due to sharply reduced restructuring costs, which offset a 49 per cent average rise in waste paper prices. Operating profits would have fallen by 4 per cent if reorganisation costs were excluded.

A strong cash flow meant that group net borrowings fell to £116m (£141.2m at March 31), reducing gearing from 29.6 per cent to 15.5 per cent since September 1993.

● **COMMENT**

A 2p rise in BPB's share price to 295p on a day when the market fell sharply reflects well on the group. The economic tide is now moving in its favour in most of its markets promising further sales increases. BPB, provided the price skirmish in Germany is ended and does not spill over into other markets, should enjoy further increases in plasterboard operating margins already approaching 18 per cent. Pre-tax profits of £160m puts the group on a prospective PE of 13¼ this year reducing to 11 the following year on profits of £205m; still good value.

Siebe paying £22.7m for two lossmakers

By Peggy Hollinger

Siebe, the international controls group, yesterday unveiled its second acquisition in as many weeks with the announcement of plans to pay £22.7m in cash for two loss-making appliance controls companies.

Siebe is buying Appliance Controls Technology, with operations in the UK and US, for £13m and 75 per cent of Eliwell of Italy for £9.7m. Last month it paid $90m for Triconex of the US, which makes shutdown systems for the oil and gas industries.

Mr Allen Yurko, Siebe's chief executive, said the purchases would strengthen the group's product range. "They particularly expand our presence in the laundry, dishwasher and refrigeration segments of the market."

Both companies bring some debt, although Siebe would not specify the level. ACT incurred a loss last year of £700,000 on sales of £23.1m. Eliwell's losses in the last 12 months were £500,000 on sales of £17.1m.

Siebe said the losses were largely due to heavy spending by both companies on research and development.

The UK company also has the option to purchase the outstanding 25 per cent of Eliwell within three years.

Leeds Group makes 5% improvement

Despite a "fragile" UK market, Leeds Group, the textile dyer and printer, reported a 5 per cent increase in pre-tax profits from £7.23m to £7.62m for the year to September 30.

The group also said it was close to selling its 28.1 per cent stake in the West Yorkshire Insurance Company.

Turnover was up 12 per cent to £52.9m (£47.1m). Earnings per share edged up to 19.3p (19p). The final dividend is 4.2p making a total of 6.3p (5.7p).

All-round growth for Alba

By Geoff Dyer

Alba, the consumer electronics group, reported a 25 per cent increase in pre-tax profits from £1.63m to £2.03m for the six months to September 30 on turnover up 27 per cent to £63.5m, against £50.1m.

Goodmans, the consumer electronics group acquired in May for £3.6m, contributed £8.74m in sales but returned a loss of £23,000. Mr Daniel Harris, chief executive, said that Goodmans, which had been expected to break even, would be profitable by the year end.

Mr Harris said that all divisions had raised profits. The Hinari domestic appliance division increased sales by 25 per cent. Sales at both the UK brown goods companies, Alba Radio and Bush Radio, were also up.

Earnings per share increased 32 per cent to 3.46p (2.63p) and the interim dividend is 1.1p (1p).

Royal Bank at £532m and staff get £25m

By John Gapper, Banking Editor

Staff of Royal Bank of Scotland are to receive an average of £1,100 from a profit-sharing scheme after the bank yesterday disclosed more than doubled pre-tax profits of £532m in the year to September 30.

The bank's shares closed 20p down at 400p on concern at growth in expenses in the UK bank because of investment in technology. There were also continuing worries about slower growth at Direct Line, its insurance arm.

The bank is to distribute £25m, or 8.2 per cent of basic salaries, among 23,000 eligible staff. Lord Younger, chairman, said it was "a demonstration of gratitude to staff for a very positive year of hard work."

The proposed final dividend of 9.75p gives a 25 per cent rise in the total for the year from 11p to 13.75p. Earnings per share rose from 15.8p to 41.4p, and pre-tax return on equity rose from 17.3 per cent to 35.6 per cent.

Acquisitions by US subsidiary Citizens helped to lower the overall ratio of capital to risk-weighted assets from 12.2 per cent to 10.6 per cent, while the core tier 1 capital ratio fell from 6.9 per cent to 6.4 per cent.

Mr George Mathewson, chief executive, said capital ratios could be lower because improved risk management had made its loan portfolio less volatile, and it had diversified income. There was adequate capital for ongoing businesses.

But Mr Mathewson indicated that the bank might raise capital from shareholders if it wanted to grow by acquisition, reiterating that the bank was interested in buying a UK building society if it was "the right society at the right price."

He said it would not make a counter-bid for the Leeds Permanent Building Society to disrupt its proposed merger with Halifax, but there were few incentives for managers of other profitable societies to seek acquisition by a bank.

Provisions for bad debts fell from £298m to £187m. Pre-tax profits included an exceptional items of £52m profit on the sale of a holding in the venture capital group 3i, and £21m paid to Mr Peter Wood, chief executive of Direct Line.

Non-interest income grew by 27 per cent from £677m to £862m because of higher tariffs on current accounts, commitment and facility fees and insurance commissions. But treasury income fell because of difficulty in volatile markets.

● **COMMENT**

Royal Bank's plea that its investments in infrastructure and technology will bear fruit in future income, while Direct Line can avoid the trap of cyclicality in general insurance, have fallen on deaf ears. The market has started to mark down the premium in its earnings multiple, believing that 25 per cent dividend growth cannot be sustained. The fall in shares this week has brought it back to a prospective multiple of about 8.8 times earnings per share of 45p. Income pressure make it unlikely that a higher multiple is justified.

Castings advances to £3.1m

Castings, the maker of iron and precision castings, said demand had remained high in the six months to September 30 and sales rose 20 per cent from £18.3m to £22.1m.

This worked through into pre-tax profits of £3.1m, up 55 per cent from £1.97m.

The interim dividend has been raised to 1p (0.775p restated) on earnings per share of 4.81p (3.125p).

Murray Johnstone

Murray Johnstone has raised £54.3m with the launch of its Murray Emerging Economies Investment Trust, of which 70 per cent came from institutions, and the remainder from independent financial advisers and individual investors.

Cater Allen edges up to £10.1m at midway

Pre-tax profits at Cater Allen Holdings, the discount house and banking group, edged ahead from £9.85m to £10.1m in the six months to October 31, partly because money market banking did not match the "exceptionally high profit of the same period of 1993."

Profits from this area declined to £2.99m (£5.37m), while stock lending activities grew to £5.83m (£3.75m). Offshore trust and banking business made £1.96m (£1.86m) and losses from Lloyd's agencies were reduced to £546,000 (£1.12m). Financial futures brought in £295,000 (£440,000).

In June the group launched a £32.3m rights issue and in August it acquired the banking operations of Jupiter Tyndall, the asset management group, and Compass Trust Group, a Jersey-based trust. Cater said the latter deal would extend its trust business, which is part of its private banking business on the island. Sheppards Moneybrokers also received some of the rights money.

Cater said the investment of the rights proceeds had earned a return of 15 per cent a year before tax.

Profits at Cater Allen Ltd, the money market bank and discount house, were satisfactory, the group said, at a time when interest rates generally rose.

Cater said that, as an operator at the centre of the secured money market, Cater Allen Ltd approved of the development of an open gilt repo market after June 1995 to increase liquidity, efficiency and broaden investor participation in the gilt-edged market.

Earnings per share declined to 24p (28p) and the interim dividend is held at 8p.

Underlying profits increase gathers pace to 19% in second half

Hanson shows accelerating growth

By David Wighton

Hanson saw an accelerating improvement in operating profits in the year to September 30, with an underlying increase of 8 per cent in the first half, rising to 19 per cent in the second.

UK profit growth of 14 per cent slightly outpaced Hanson Industries in the US, which showed a 12 per cent improvement excluding Quantum.

Profits at the Peabody coal business in the US more than doubled to £144m (£70m) following the settlement of its costly strike, which cost £76m (£125m).

Last month, Peabody paid Exxon £230m for two low-sulphur coal mines in Wyoming, which will help boost production by 50 per cent this year.

Three-quarters of its production is now low-sulphur coal, where prices are expected to firm over the next few years. Because of new clean air legislation Hanson expects the price of high-sulphur coal to decline gently, falling by between $1 and $2 a tonne this year.

There was strong growth from the Beazer US aggregates business, where profits jumped 59 per cent to £48m, and a third record year at Cavenham forest products, with profits up 9 per cent to £116m. However, average timber prices tailed off in the second half, partly due to slower housing starts, and Cavenham is expecting slightly lower profits this year.

The main downturn in the US was at SCM Chemicals, the world's largest producer of titanium dioxide pigment. Although sales were up 5 per cent to £615m, profits fell 18 per cent to £71m as prices slid 2 per cent. This reflects new capacity at Du Pont and SCM itself, together with the lingering effect of recession. But prices appear to have bottomed with Du Pont, the market leader, posting an increase from January.

With the industry still operating at under 90 per cent capacity, a sharp recovery is not expected, but SCM is predicting steady improvement for the rest of the 1990s.

Most of the smaller US businesses performed well. Ertl, the toy maker whose planned flotation has been shelved, increased its contribution by 39 per cent to £20m, but profits at Grove Crane nearly halved to £12m.

Main contributors to operating profits

	93-94 £m	92-93 £m
Coal Mining	144	70
Chemicals	220	115
Tobacco products	328	307
Aggregates	117	73
Forest products	116	106
Group total	1,232	978

In the UK, profits growth was driven largely by ARC aggregates, which was up by nearly two-thirds to £69m thanks to a sharp increase in margins; and Hanson Brick where profits rose more than 40 per cent to £23.5m.

With shortages appearing in certain areas, the company is taking some brick kilns out of mothballs.

After a flat first half, Imperial Tobacco turned in profits up 7 per cent to £328m despite an estimated 3.8 per cent decline in the market.

Imperial increased its market share by 1.3 points to 36.8 per cent and pushed through a price increase in April. It believes that price and duty rises are now having less impact on volumes because the market has "hit the hard core smokers".

Hanson raised more than £945m from disposals in the year helping to reduce debt from £3.4bn to £2.3bn.

Gearing was cut from 86 per cent to 51 per cent, but has since risen to 58 per cent following the purchase of the US mines and Scholes in the UK.

Conglomerate's $3.2bn gamble pays off

David Wighton on how the Quantum deal has proved to be a smart Hanson move

When Hanson acquired Quantum Chemical in a $3.2bn (£1.95bn) agreed deal last year most analysts on both sides of the Atlantic gave it a cautious welcome.

Some described it as a risky $3.2bn punt on the chemicals cycle, which only underlined the challenge Hanson faced in finding good acquisitions.

A year later, even those who dismissed it as a punt now admit it has paid off handsomely. Supporters point to it as evidence that Hanson can still strike deals big and cheap enough to make a real difference.

Quantum is the biggest US deal Hanson has done, including the $2.5bn of debt which came with the company.

While the returns are unlikely to match those generated by SCM, the chemicals group bought by Hanson in 1985 and subsequently broken up, Quantum is already paying off. Some analysts say it could rank as one of Hanson's most successful.

The timing of some of Hanson's recent deals has been far from perfect. With Quantum, however, it was spot on. It bought the company just as it had completed a heavy investment programme and was planning to rationalise.

More important, it pounced just as the price cycle for Quantum's products had bottomed. "It was miraculous,"

Quantum is the biggest US deal Hanson has done. It is already paying off. Some analysts say it could rank as one of the company's most successful

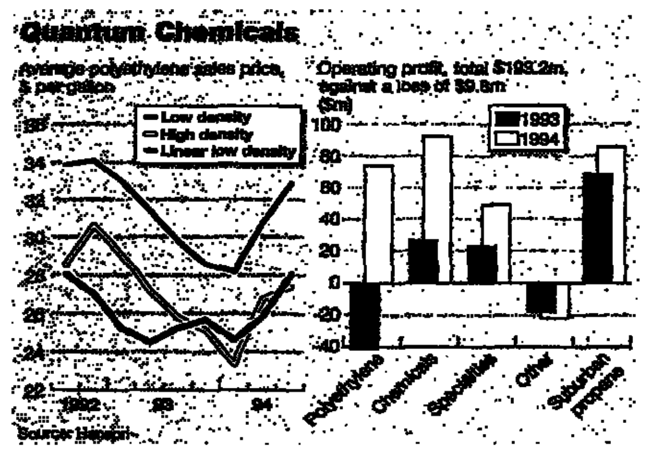
says Mr David Clarke, chief executive of the US arm, Hanson Industries. "Almost on the day we completed prices of Quantum's products began picking up."

Five price rises later Quantum is making good money out of polyethylene, the plastic used in a wide range of packaging. Operating profits in the chemicals business soared to £122m with Suburban Propane, the gas distributor that came with the deal, adding a further £54m. In 1993 the two combined made just £35m.

By refinancing Quantum's expensive junk debt Hanson almost halved its interest bill, leaving a £100m contribution to pre-tax profits. After allowing for the shares issued in exchange for Quantum's equity, the deal enhanced Hanson's earnings per share by 3 per cent, more than expected at the time of the deal.

Apart from the price recovery and debt refinancing Quantum appears to have responded to a process of "Hansonisation". It has strengthened the management while retaining most of the principal executives, advanced the rationalisation programme already in train, and identified new cost savings.

In line with the new emphasis on internally generated growth, Hanson has turned on the capital spending tap. Mr Clarke last month announced a $438m investment programme for the chemicals division, of which $289m is earmarked for Quantum. This will increase polyethylene capacity by almost a fifth and ethylene capacity by nearly a quarter.



Mr Clarke believes that, with a lower cost base and higher capacity, Quantum can surpass its previous record profits of $711m in 1988. Mr David Ireland, analyst at Hanson's brokers Hoare Govett, thinks the chemical business could make $750m in 1997.

Other observers are not as bullish and point to the likelihood of prices softening in the middle of next year as new capacity comes on stream. But with demand for polypropylene increasing at twice the rate of economic growth that capacity should be absorbed quickly.

Mr Clarke says he is "very optimistic" about the long-term prospects for Quantum and is convinced there will be similar deals. "They are there. It is just a question of finding them," he says.

Fleet of refuse trucks played part in healthcare group's setback

AAH shares tumble on warning

By David Blackwell

A setback in its environmental services division contributed to a 14 per cent fall in interim profits at AAH, the pharmaceuticals distribution and retailing group. The shares fell 48p to close at 336p.

Mr John Padovan, chairman, warned that profits for the full year would be below last year's levels as pre-tax figure for the six months to the end of September fell from £19.1m to £16.4m.

Operating profits at the environmental services division, which supplies services and equipment to local authorities, fell from £2.3m to £800,000 on sales of £37.5m (£36.6m).

Mr Bill Revell, chief executive, blamed the setback mainly on the performance of the hire fleet of rubbish and street-sweeping trucks. This had now been chopped by two-thirds to 110 vehicles.

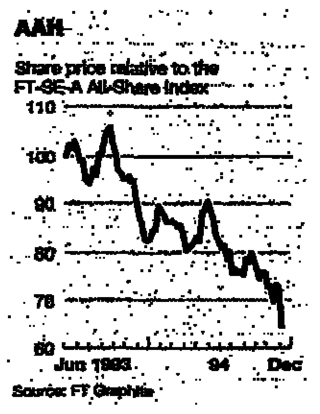
The second half is traditionally poorer for the division, so a recovery is not expected. While the business is not up for sale, "we are not wedded to any part of it if we don't see a long-term future", Mr Revell said.

Group sales moved ahead from £773.1m to £798.6m. The latest figure includes £5.9m from acquisitions and £1.5m from discontinued operations, while the previous figure includes £47.6m from the building supplies operation sold to Travis Perkins in March.

Mr Revell said the absence of profits from the building supplies business had also contributed to the first-half setback. In addition lower gains on property disposals and increased pension contributions had cost £1m.

Operating profits from the healthcare division, which accounts for more than 91 per cent of total sales, improved from £16.6m to £17.1m, although net margins eased from 2.6 to 2.4 per cent. Sales were £717.9m (£642.7m).

Mr Revell said the group had "no problem with sales – the key is to get the cost of handling sales down". The group is



in the middle of a rationalisation programme in its wholesale distribution business, for which a £5m provision was made last year. So far £1.4m has been spent, and the number of branches cut by six to 18. By March 1996, the group plans to have 15 branches, of which seven will be fully automated.

The group has acquired 17 further pharmacies since March, taking the total to 305.

Earnings per share fell to 12.2p (14.7p). The interim dividend is unchanged at 6p.

● **COMMENT**

The extent of the problems at AAH is reflected in the sharp downward revision of City forecasts for the full year from around £42m to £36m. Any reasons for being in the environmental services sector have disappeared, and in any case the pressures on local authorities are unlikely to go away. The management, quite right to sell the building supplies operation, should ask itself why it is in any business outside the healthcare division, which accounts for more than 91 per cent of sales. Even here, the rationalisation and modernisation taking place is affecting performance while the group catches up with the competition. However, the healthcare business is performing reasonably well in a growth market. On a prospective multiple of around 12, this might prove enough of a lure to hold on for better times.

Ushers is latest to withdraw flotation

By David Blackwell

Ushers, the Wiltshire-based brewer and pub chain, yesterday pulled its flotation.

Mr Roger North, chief executive, said the response from institutions had been good. But while more than 30 institutions had been interested, they had promised "only three-quarters of the money we needed".

Unless the shares were fully placed ahead of the public offer, the group would be running the risk of a bad after market – "and I would rather wait", Mr North said.

The group was expected to be valued on flotation at more than £100m. It was planning a placing and open offer to raise around £50m of new money in order to clear senior debt of £35m, redeem preference shares and accelerate expansion.

The withdrawal of the offer follows a warning earlier this week from Marston, Thompson & Evershed, the Burton-based brewer. The shares fell after it reported a rise in both beer sales and interim profits, but spoke of volatile trading and caution about second-half prospects.

The beer market is widely seen as being in decline. While Ushers' brewery is making 300,000 barrels of beer a year, using 24-hour shifts working to meet demand, 200,000 barrels are under contract to Courage – a figure that will fall by two-thirds in 1996.

Mr North said the Courage contract was not an issue – the float was a victim of the state of the new issues market.

"We thought we could prevail against the market, but we did not," he said.

The Ushers brewery in Trowbridge dates back to 1824 but the current company was formed only in 1991 after the Beer Orders, which obliged the industry to reduce the number of their tied houses.

The brewery and an unrelated estate of 433 pubs in south-west England and South Wales were acquired through a £71m management buy-in from Courage.

In the past three years the group has paid off £15m of debt and invested £18m in taking the number of pubs to 470, as well as modernising the brewery.

The pathfinder document showed pre-tax profits for the year to October ahead from £7.76m to £10.4m on sales of £39.1m (£38.9m). The main shareholders are Schroder Ventures and Swiss Bank Corporation.

3i increases net asset value by 6.7% to 334p

By Paul Taylor

Lydia van der Meer

Sir George Russell (left) with Brian Larcombe, finance director (centre) and Ewen Macpherson: very active in core areas

3i, the recently floated venture capital group, yesterday reported a 6.7 per cent increase in net asset value per share to 334p in the six months to September 30.

Mr Ewen Macpherson, chief executive, said that the group, which came to the market in July, had continued to concentrate on its core business activity of investment in small and medium-sized companies in the UK and continental Europe. "Our business in these areas has been very active compared to the same period last year," he said.

3i is paying an interim dividend of 2.8p. Sir George Russell, chairman, said this represented an increase of 7 per cent on last year's interim – paid prior to flotation – together with bringing forward 0.75p of the final in order to reduce disparity between the interim and final dividends.

The total return – a combination of dividend revenue less costs and net interest, realised investment profits and the appreciation of the unrealised portfolio – was £140m compared with £151m, representing a six months return on shareholders' funds of 7.6 per cent.

Mr Macpherson noted that the total return to shareholders had been achieved in a business climate, "that has been satisfactory for investment and disinvestment, but which has seen declines in most UK stock market indices, and some evidence in recent months of a levelling off in the rate of improvement in confidence amongst businessmen, compared to the steady improvement which we saw during the previous year."

Pre-tax revenue rose by 12 per cent from £37.6m to £42.2m. This was helped by a surge in fees and commissions, which jumped from £7.3m to £13m mainly reflecting the much higher levels of gross investment and a first time contribution from the management of a fund for continental European investments.

Gross dividends from equity investments rose from £34.8m to £35.4m, despite the reduction in ACT credit from 22.5 per cent to 20 per cent.

Within the total return, after-tax revenue rose by 17 per cent from £28.2m to £33m. The group made realised capital profits, after losses and provisions, of £61.5m compared with £30.6m a year earlier. However unrealised growth in the value of investments appreciation was lower at £38.9m, against £136.3m.

3i invested £246.2m during the first six months, compared with £132.9m. Investment in the UK was particularly high and the group invested £230m in 321 businesses in the six months, compared with £116m in 245 businesses in the 1993 period. Much of this was in management buy-outs and buy-ins.

Directors seek to calm investors' fears of possible third pill

GrandMet details £280m charge

By Roderick Oram, Consumer Industries Editor

"We've really swallowed a pill two years running and I do not intend to swallow another," Mr George Bull, Grand Metropolitan's chief executive, said yesterday, explaining the latest restructuring charge.

He and other senior executives of the food and drinks group went to great lengths to reassure investors that there was not a third pill on the horizon.

GrandMet announced a £175m charge in September 1993 to reorganise its US foods business and a £280m charge this autumn for its global drinks and European food businesses.

"We can't see a darned thing left" which warranted a third big charge, said Mr Dave Rickard, group controller. The door had been left open, however, for small items as they arose.

Analysts remained cautious given the group's fondness for such accounting practices. Moreover, they were puzzled by the reason for the long shopping list of projects wrapped up in the latest charge and spelt out in detail for the first time yesterday.

"It looks like a lot of soft capital expenditure, which should have been paid for along the way," one analyst said.

Mr Bull said: "We knew we had a number of very specific jobs to do, so we did a complete review world-wide."

The bulk of the charge, £143m, covers IDV, the drinks business. About 40 per cent of that represents asset write-downs and the rest a string of projects costing a few million pounds each to rationalise offices, plants and distribution in various countries, particularly in Europe.

The European foods charge of £55m is split in three equal tranches for restructuring production, rationalising support services and closing some shops and sales offices of Häagen-Dazs, its ice cream business.

Burger King, the fast-food restaurant chain, took a further £31m charge to, for example, move more of its headquarters staff in Miami out into the field.

Restructuring costs

	£m
European food	55
Burger King	31
Drinks	143
Others	51
Total	280

The balance consists of a plethora of small items, such as closing some shops in the Pearle opticians chain.

Although the programme will cut costs and bring a better focus to the businesses, analysts remain concerned about the direction of the European food business. It is small, lacks strong brands, has struggled to transfer to Europe successful products from abroad and faces further investment in Häagen-Dazs.

The best asset is a German company involved in canned ready meals and soups, which accounts for about one-third of European food sales. It has growth potential in eastern Europe.

European sales of Häagen-Dazs grew by 35 per cent last year to $170m (£104m) but it is still unprofitable. Significant progress is needed to help justify expensive distribution.

Management acknowledged yesterday that all but small European food acquisitions were unlikely and the division's recovery lay in cost cutting and organic growth. Their real ambitions lie in the US and Far East.

Thus, the City is betting that the division will be refocused around the German canning business and Häagen-Dazs. The rest will be put up for sale, leading perhaps to further writedowns.

Celltech poised to sign another collaboration

By Daniel Green

Celltech, the biotechnology company, is likely to sign another large collaborative deal with a pharmaceuticals company during 1995.

Mr Peter Fellner, chief executive, said several companies were interested but would not say which of Celltech's potential products was involved. Any new partnership is likely to include the company's promising cancer-treating matrix metalloproteinase inhibitors.

The company has already received £13.6m from its partnerships and is set to earn up to another £47m by 1998, depending on the progress of drugs in development.

Celltech shares rose 2p to a new high of 239p.

The company also announced a pre-tax loss for the year to September 30 of £6.9m (£5.9m), largely as a result of higher research and development spending. Losses per share were 11p (10.3p).

Cash outflow increased from £6.9m to £9.7m after higher capital spending on a new plant. The company had £36.4m (£17.9m) cash at the year end. It raised £27.3m in a rights issue in December 1993.

Mr Fellner said that 1995 would see results from small-scale but statistically significant clinical trials on its product CDP 571 in Type II for diabetes and inflammatory bowel disease.

Turnover was unchanged at £14.2m, entirely from the company's Biologics manufacturing division.

Mr Peter Allen, finance director, said that disruption caused by the construction of a bigger plant had hit the Biologics division in the second half and would continue to do so into the first half of this year.

● **COMMENT**

A comparison between Celltech and British Biotech, which announced interims this week, is instructive. Celltech is about a year behind in terms of progress in clinical trials. The trials are slower. It takes longer to see whether a drug helps an arthritis sufferer than a cancer patient close to death. On the other hand, Celltech is conducting statistically significant studies at an earlier stage. It has more potential drugs in its pipeline, thus spreading risk. Most importantly, Celltech has collaborations with big name drugs companies, and their expert assessment is worth more than a City analyst's report. Where companies such as Merck, Bayer and Schering-Plough invest, others follow. The shares beat February's all-time high this week and should rise further.

Cost cuts help Seeboard advance

By David Lascelles, Resources Editor

Seeboard set a strong pace for the new regional electricity results season yesterday by disclosing a 28 per cent increase in underlying half-year pre-tax profits, and a 21 per cent rise in the interim dividend.

And the Crawley-based company linked the results to further benefits for its customers, which it valued at £22m.

Seeboard, which serves south-east England, reported profits for the six months to September 30 of £33.5m (£36.3m) after a £12.8m charge for a premium paid to redeem £54m of government debt ahead of time.

Turnover was £509.3m (£534.3m). The interim dividend is raised to 4p (3.3p) from earnings per share of 9.1p (10.15p).

Sir Keith Stuart, chairman, said the results reflected the cost reductions which Seeboard had achieved over the last 18 months through job cuts and greater efficiency. The dividend increase was "generous, but we can afford to pay it, and we're doing the customers proud too".

Seeboard will be reducing its quarterly standing charge by £2.50 or 20 per cent from next February. It will also pay each customer a special rebate of £1 out of the interest earned on the £70m received in VAT prepayments earlier this year. Other improvements include an increase in the direct debit discount from £3 to £4, and a free bill-paying service through the post office.

Although Seeboard is obliged by the new price regulations to cut prices for its customers next year, Sir Keith said these measures would deliver the benefits "ahead of time". Since privatisation in 1989, he said Seeboard customers had seen a 16 per cent reduction in electricity bills in real terms.

Among the divisional operations, the distribution business made an operating profit of £43.6m (£39.3m). The supply business reported a reduced loss of £4.2m (£6.7m), while in the retail, contracting and gas sales businesses, improved trading margins led to better results.

Crabtree leaps to over £4m

Crabtree Group, the metal decorating press manufacturer, saw pre-tax profits leap from £1.07m to £4.11m in the year to September 30, on a turnover of £28.8m, against £7.7m.

The result was boosted by the first full contribution from the group's principal subsidiary, Crabtree of Gateshead, against only 10 weeks previously.

Earnings per share came to 18.6p (10.7p) and the dividend has been lifted to 8p (2p) with a recommended final of 5p.

Mr Richard Oury is replacing Mr Karl Watkin as chairman, who is stepping down to devote more time to his public and private interests. Mr Matthew Cooper has become chief executive, while Mr John Holmes has been appointed an executive director.

GRT climbs 24% to £2.9m

By Simon Davies

GRT, the smallest of the listed bus and coach operators, yesterday announced a 24 per cent increase in profits, aided by contributions from its aggressive acquisitions policy.

Pre-tax profits rose from a pro-forma £2.3m to £2.85m in the 24 weeks to September 10 on turnover up 67 per cent at £25.5m (£15.3m), including £2.73m from acquisitions.

The company said that following recent purchases, it now controlled annual revenues estimated at £92.4m, compared with the £39.9m achieved in the year to March 31 1993.

Since its flotation in May, the group has participated in the rapid consolidation of the British bus industry through acquisitions of Eastern Counties, in East Anglia, and Reiver Ventures and SMT in Scotland. It remains keen to make further acquisitions.

Operating profits rose from £2.12m to £2.98m, with acquisitions providing £170,000. The contribution from acquisitions will accelerate in the second half.

On a like-for-like basis, GRT said it achieved a slight improvement in operating profit margins on existing businesses from 14.5 to 14.8 per cent. It added that it was rapidly turning around the performance of its recent acquisitions.

During 1994 and 1995, it is buying 100 new buses at a cost of £10m. This should help counter the 3 to 4 per cent annual decline in passenger numbers, and would also improve margins through lower maintenance costs.

It is paying a maiden dividend of 1.4p per share from earnings of 5.5p (4.5p).

Harborne backs Bradford bid

Harborne Tenants, the property investment company, yesterday recommended an increased offer of 295p per ordinary share and 60p per preference share from Bradford Property Trust.

The deal, which offers the alternatives or loan notes or shares, values Harborne at about £14.6m. Its directors have accepted the offer in relation to their own holdings, which means that BPT has rights over about 30.4 per cent of the ordinary shares and 25.9 per cent of preference shares.

NEWS DIGEST

Rowlinson Securities up at £1.2m

Pre-tax profits at Rowlinson Securities, the Cheshire-based property group, advanced from £1.11m to £1.21m in the six months to the end of September.

The result was helped by increased profit on property sales of £228,000 (£41,000) and lower finance charges of £542,000 (£617,000).

Gross rental income was unchanged at £1.87m and contracting almost doubled to £4.39m (£2.39m). However, the company said it had taken a prudent approach to the recognition of profits on unfinished contracts and operating profits were lower at £1.52m (£1.69m).

Earnings were 4.27p (5.96p) and the interim dividend is raised to 0.31p (0.24p).

Sutcliffe Speakman

A strong second quarter at Sutcliffe Speakman meant the high technology carbon and environment protection systems group turned in pre-tax profits of £306,000 for the half year to September 30. This compared with £361,000 last time, though this included an exceptional credit of £576,000.

Turnover rose by 11 per cent to £11.4m (£10.3m). Earnings per share were 0.04p (0.38p) and an interim dividend of 0.25p has been declared.

Mid Kent Holdings

Pre-tax profits at Mid Kent Holdings were static in the first half to September 30, due to difficult trading conditions in its subsidiary.

Turnover at the group, which supplies water to Kent and Sussex and provides consultancy services to the water supply industry, rose 11 per cent to £18.2m (£16.4m).

However, despite progress in the water company's performance, difficult trading conditions experienced by Cyfas-Restbury, acquired last year, held group pre-tax profits to £3.83m (£3.8m).

The interim dividend has been raised to 5.3p (5p) from earnings per share of 16.3p (16.7p).

Asset Management

Asset Management Investment Company is to seek a listing on the London Stock Exchange via a placing of 5.04m 25p shares at 100p apiece, with warrants attached on a 1-for-5 basis, valuing the company at £5.04m.

The objective of Asset Management is to achieve long-term capital appreciation and growth of revenue by investing in the investment management industry.

Borthwicks dips

The £212,000 cost of developing its Hong Kong operation caused pre-tax profits of Borthwicks, the natural flavours concern, to dip from £1.13m to £924,000 in the six months to October 1.

Sales were unchanged at £14.9m, though there was a 2.6 per cent rise excluding last year's £362,000 from discontinued businesses. Earnings per share were down from 1.6p to 1.3p, but the interim dividend has been held at 0.5p.

Azlan lower at £1.1m

Azlan Group, which sells networking computer products, reported pre-tax profits down from £1.88m to £1.08m for the six months to September 30, after a sharp increase in distribution costs to £5.97m, against £3.1m.

Turnover advanced by 32 per cent to £37.7m compared with £28.5m. Earnings per share dipped to 3.7p (6.3p), but an interim dividend of 1p has been declared.

Mr Chris Martin, managing director, said that with positive results from actions taken in the UK and the strong performance in continental Europe, the group was confident of improving profitability."

MONTHLY AVERAGES OF STOCK INDICES

	November	October	September	August
FT-SE Actuaries Indices				
100 Index	3084.9	3046.8	3098.3	3178.5
Mid 250	3528.2	3498.3	3643.9	3736.8
350 Share	1548.22	1529.4	1564.2	1604.5
Non-Financial	1654.00	1639.72	1680.38	1728.77
Financial Group	2186.40	2137.44	2181.71	2197.58
All-Share	1532.70	1518.66	1553.97	1591.47
Eurotrack 100	1337.31	1317.95	1358.50	1379.19
Eurotrack 200	1396.82	1374.17	1405.56	1430.90
FT-A World Index	174.74	177.11	177.99	178.75
FT Indices				
Government Securities	91.82	90.99	90.68	91.86
Fixed Interest	108.20	107.71	107.72	110.02
Ordinary	2368.0	2342.3	2404.6	2485.9
Gold Mines	2031.34	2246.63	2230.06	1963.17
SEAQ Bargains(5.00pm)	24,186	23,105	25,608	29,402

	Highest Close Nov	Lowest Close Nov
FT-SE 100	3146.5 (16th)	3027.5 (23rd)
FT-SE Mid 250	3582.8 (16th)	3477.1 (30th)
FT-SE 350	1578.7 (16th)	1521.2 (23rd)
FT-A All Share	1560.20 (16th)	1507.88 (23rd)
Ordinary	2418.6 (16th)	2323.3 (25th)

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Short-term prospects for portfolio difficult to judge

MEPC assets rise misses mark

By Simon London
Property Correspondent

Shares fell across the property sector as MEPC, the UK's second-largest property company, disappointed analysts with a lower than expected rise in net assets per share.

Over the year, nav increased 14 per cent from 416p to 473p – analysts were expecting between 490p and 500p.

Pre-tax profits grew 37 per cent from £81m to £111m, including £10m from the sale of properties and the use of provisions.

Mr James Tuckey, chief executive, said MEPC's UK properties had increased in value by 9 per cent during the 12 months to September 30. Analysts had forecast an increase of between 13 and 14 per cent.

Mr Tuckey added that most of the valuation gains had come in the first half, since when values had been flat.

Lord Blakenham, chairman, commented: "The short to medium term prospects for our UK portfolio are not easy to judge. Rental increases for prime properties are on the cards, but there is still considerable over-rented property around."

Net income from properties rose to £234m (£213m). After administrative expenses of £12.7m (£13m), operating profits were £221.6m (£199.6m).

Finance costs increased from £119.2m to £123.6m, reflecting higher interest charges. Interest capitalised amounted to £10.1m, down from £13m.

Some £446m was spent on acquisitions, including the purchase of two shopping centres in the US, a shopping centre and office buildings in Australia, shopping centres in Derby and Belfast and a portfolio of office and industrial premises in the west midlands.

The Northridge Fashion Centre, which suffered damage during the Los Angeles earthquake in January, is expected to reopen next summer. MEPC has received insurance proceeds of £13m and said the cash effect of the earthquake would not be material.

Gearing at the year end was 62 per cent. Mr James Beveridge, finance director, said that gearing could rise to 75 per cent if suitable acquisition opportunities were identified.

Earnings increased from 15.5p to 20.1p. The final dividend of 14.75p makes an unchanged total of 20p.

● COMMENT

MEPC yesterday added to the cloud of gloom which has hung over the property sector in recent months. While profits were in line with expectations, it is clear that property values have risen by less than anticipated and that the outlook for further growth is uncertain. The main comfort for MEPC is that after yesterday's 4 per cent fall from 403p to 385p, the share price now reflects this uncertainty. On a secure yield of 6.5 per cent and a 25 per cent discount to prospective net assets per share, the downside for the shares is limited.

Sharp rise to £4.6m at Metro

By Peter Pearse

Pre-tax profits at Metro Radio Group, the Newcastle-based radio station operator, almost doubled to £4.63m in the year to September 30, as advertising revenue advanced 23 per cent to a record £17.7m.

The pre-tax rise from £2.37m was struck on turnover up 22 per cent to £21.6m (£17.7m) and included a £320,000 profit on the sale and leaseback of a property in Stockton. The shares only rose 2p to 406p, but Mr John Josephs, managing director, said the upturn in radio advertising had been well documented and was already in the share price.

In calendar 1993, radion, the fastest growing advertising medium, took 3.4 per cent of the total UK advertising expenditure, and in 1994 was expected to approach 4 per cent. The Radio Advertising Bureau has said the figure should rise to 6 per cent in 1995. Part of these rises are because the business has got bigger, said Mr Josephs, but he reckoned that Metro was currently taking between 7 and 8 per cent in the north-east.

Earnings grew to 18.6p (9.4p) per share and a final dividend of 5.15p lifts the total to 7.4p (5.5p).

Retail decline leaves Anglian Gp lower at £10m

By Simon Davies

Shares in Anglian Group, the double glazing company, fell 25p to 175p yesterday, after the group revealed a sharp decline in interim profits and stated that "it is likely that the result for the full year will be lower than last year".

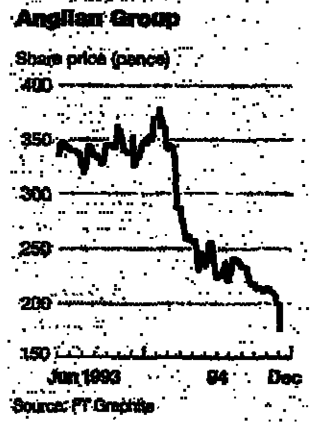
A marked decline in retail revenues was the main factor in a fall in pre-tax profits from £12.2m to £10.1m for the six months ended October 1.

Mr Ron Swift, chief executive, admitted the figures were disappointing, but said retail orders in the pipeline were up 6 per cent from 1993, which would feed through into profits for the second half.

Retail sales account for more than 75 per cent of Anglian's annual revenues, and command the highest margins.

Turnover rose by 6.4 per cent to £89.4m (£84m), while operating profits fell from £11.9m to £9.9m, reflecting price cutting by Anglian in order to win public sector orders, following the privatisation of the Property Services Agency.

Anglian Group



Source: FT Graphite

Anglian has also expanded direct sales to the building trade, which reap substantially lower margins.

Trade sales, while expanding rapidly, had an adverse impact on cash flow, as debtors increased from £17.4m to £23.7m, reflecting slow payment. However, Anglian retains £8.36m of cash and no bank debt.

The company warned of an acceleration in the rise of raw material prices, particularly polymer, which rose by 20 per cent in October.

Mr David Herman, finance director, said: "We are competing against a lot of people who are not making any money. In the long run, they will have to pass on cost increases to the customer."

Mr Swift was confident of a pick-up in the second half, reflecting Anglian's fuller order book, and the dividend has been maintained at 4.1p. Earnings per share fell from 9.1p to 7.9p.

Gibbon slips to £973,000 midway

Falling prices meant Gibbon Group, the printing inks concern, reported a marginal drop in pre-tax profits from £980,000 to £973,000 for the six months to September 30, despite a rise in turnover from £12.7m to £13.6m.

Mr Michael Gibbon, chairman, said he believed that the industry could no longer suffer price restraint, though he added that a 5 per cent increase was now imminent.

Profits were struck after exceptional costs of £137,000 (£89,000). Mr Gibbon said unbudgeted costs had arisen from the reorganisation of the group's Colorcentres into Supacentres, together with computerisation of all its sales outlets.

With earnings per share at 6.4p (6.3p) the interim dividend has been held at 2.2p.

Job cuts end revamp at AA Insurance

By Ralph Atkins,
Insurance Correspondent

AA Insurance yesterday more than halved its headquarters staff, completing an eight-month reorganisation which has cost 1,500 jobs and has been prompted by fierce competition in the UK insurance sector.

Staff numbers at the Basingstoke headquarters of AA Insurance, which sells policies on behalf of insurance companies by telephone and in 257 shops, have been cut by 59 to 42. AA Insurance is 25 per cent owned by Eagle Star, the insurance company.

Mr Mark Wood, managing director, said efforts would be made to find alternative jobs within the AA motorist organisation. "The actions that we have taken are essential to make us more competitive with brokers and direct writers alike," he said.

Over the past year AA Insurance has lost about 300,000 motor policies, though it still has about 1.1m policyholders on its books and 2.5m general insurance policies in issue.

Mr Wood was appointed in March with the brief to counter the threat posed by "direct" insurance writers – which cut out brokers and their commissions.

In September, AA Insurance announced the closure of a processing office in Cheadle, Cheshire, with its work being transferred to Newcastle and Cardiff. In total, the staff numbers have fallen to 3,700 from 5,200 in May.

Mr Wood is attempting to match the operating efficiency of direct writers by improving electronic links with AA Insurance's panel of 40 insurers and by cutting overheads, particularly on claims handling. UK motor premiums have fallen by at least 5 per cent this year.

It also hopes to work more closely with other parts of the organisation and is attempting to compete on quality – offering, for example, courtesy cars and transport home for motorists involved in accidents.

Mr Wood said that by using a panel of insurers, AA Insurance was able to offer better prices for a wider range of customers than the direct writers.

BT signs deal to shift Asia-Pacific office to Sydney

By Nikki Tait in Sydney and Alan Cane in London

British Telecommunications, the UK's dominant telephone operator, is moving its Asia-Pacific headquarters to Sydney, Australia, from Singapore and will purchase equipment worth A$440m (£199m) from Australian manufacturers during the next seven years.

The moves, part of BT's strategy to develop its international business, are detailed in a partnership agreement signed this week between the company and the Australian federal government.

As a result, BT is expected to be in a good position to secure a public telecommunications operator's licence when, as expected, the Australian telecoms market is opened fully to competition in the middle of 1997. It has not made an application for a licence to date.

Senator Peter Cook, Australia's industry minister, said the agreement provided for the establishment in Sydney of BT's Asia-Pacific engineering centre, and a university research programme to fund collaboration between Australian universities and the company's R&D laboratories in the UK. Australia has a good reputation for research in a number of important telecoms technologies.

BT has operated in Australia since 1987 and provides private services primarily to international organisations and government departments. Sydney is already a hub for "Concert", a joint venture between BT and MCI which offers multinational companies cut-price international networks.

Agreements already exist between the UK and Australian governments for "international simple resale" between the two countries, which allows telecoms operators to offer large customers low-cost international telephone lines.

Two years ago, BT won the contract to design, install and manage the internal telephone network for the New South Wales government. A BT spokesman said yesterday that that contract meant large numbers of BT engineers were working in Australia and the company was already buying equipment from local manufacturers.

Australia is committed to the de-regulation of telecoms. Public telephone services are provided by a duopoly comprising the state-owned Telstra Corporation, the largest integrated carrier in the Asia-Pacific region, and Optus, a new company in which Cable & Wireless of the UK and Bell South of the US have stakes.

Barlo midterm fall to I£1.81m

Barlo, the Dublin-based radiators and packaging group, blamed lower margins in its plastics business for a fall in pre-tax profits for the six months to September 30 from I£2.42m to I£1.81m (£1.78m).

Turnover rose to I£55.5m (I£43.4m) reflecting continued organic growth and the contribution from Veha Radiators.

Earnings per share were 1.02p (1.76p) and the interim dividend is unchanged at 0.4p.

COMMODITIES AND AGRICULTURE

Silver price plunges below $5 an ounce

By Kenneth Gooding, Mining Correspondent

Silver yesterday plunged below the psychologically-important $5 a troy ounce level, giving a salutary warning about what can happen when investment funds, having driven metal prices up with a buying spree, decide to quit the market.

Taking its cue from an overnight slump in New York, silver closed in London at $4.90½, its lowest since January. It had lost 17 cents or more than 3 per cent of its value in one day.

Analysts suggested that the sudden drop was another phase in the funds' recent involvement in the market. This started in the early months of 1994 when, encouraged by suggestions that supply and demand for silver was coming back into balance, speculative funds bought futures and physical silver heavily.

It was said they were targetting at least $7 an ounce. In the event they were not able to breach $6, but the spot price for silver – used mainly in photographic papers – averaged $5.38 an ounce in the first nine months compared with $4.19 in the same period of 1993.

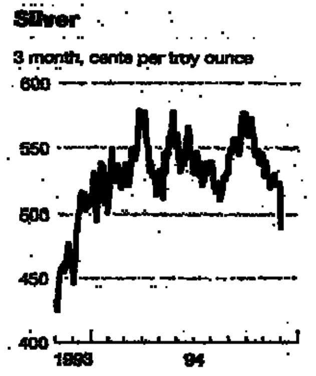
The key elements keeping prices down in the face of the funds' splurge were selling by producers when the price went above $5.50 and the price-sensitivity of buyers in India, the biggest silver investment market. The CRU International consultancy group estimates that in the first nine months silver imports to India fell from 2,000 tonnes last year to 1,150 tonnes, a drop of 42.5 per cent.

Mr Ted Arnold, analyst at Merrill Lynch, pointed out that the investment funds had not only been unwinding their paper positions in recent weeks but also selling physical metal. New York Commodity Exchange stocks had risen by 14 per cent to 265.7m ounces in the third quarter. This made the market vulnerable to concerted selling, particularly from funds that rely on computer-based trading.

Mr George Milling-Stanley of Lehman Brothers also said the fundamental picture suggested silver should not go much lower and a price of $4.90 was reasonable. However, "the funds showed when they drove silver up towards $6 that they can overcome the fundamentals for a time and if they continue to sell short they could send it lower".

Silver

3 month, cents per troy ounce



Source: Datastream

Europe bids farewell to beef 'mountains'

By Deborah Hargreaves

Intervention buying of meat by the European Union, which led to the creation of the infamous beef "mountains", should virtually disappear in future, Mr Roelof Bennink, head of the European Commission's beef and sheepmeat division, said yesterday.

"Intervention will be used in future as little as possible. Its role as a market support measure has been considerably reduced and support is now given by premium payments to farmers," he told a meat policy conference organised by Agra Europe.

But Mr Bennink also said that EU beef production would have to fall by between 300,000 and 400,000 tonnes by 2000 to fit in with the requirements of the General Agreement on Tariffs and Trade. Gatt limits the amount of subsidised beef exports from the EU to 817,000 tonnes, compared with traditional levels of exports of around 1.1m tonnes.

Beef stocks held in intervention stores have fallen dramatically to 100,000 tonnes from just over 1m tonnes a year ago. Mr Bennink said that today marks the end of a year in which no additional beef has been bought for intervention.

Intervention buying has traditionally acted as a safety net for farmers by soaking up excess supply and maintaining internal EU prices at levels higher than the world market. But reform of the common agricultural policy has progressively reduced the price at which stocks can be bought, compensating farmers by direct premium payments.

Mr Bennink said the drop in EU beef production in the past two years probably had more to do with increases in productivity by dairy cows than CAP reform. Cow numbers dropped from 33m to 32m as each animal produced more milk: this led to a reduction in the number of beef calves.

At the same time, imports from eastern Europe had been restricted to 425,000 animals and the absorption of more beef from the reunified of Germany has been completed.

Mr Bennink believed there would be a rise in beef output of only 1 or 2 per cent next year; there were not enough cows to produce dramatic increases.

He said it was too soon to determine whether CAP reform would result in the necessary reduction in beef production to accommodate Gatt but said the commission would take additional steps if required.

Mr René Laporte, chairman of the French meat traders' federation, called on the commission to re-direct EU beef exports to lucrative markets in South-east Asia, such as Japan and Korea, and the US, instead of countries with limited means of payment such as the former Soviet Union, eastern Europe and north Africa.

"The EU cannot neglect these markets and still call itself an important player in the world market," he said.

Mr Brian Revell, senior economist at the Scottish Agricultural College, said the drop in EU subsidised beef exports would relieve pressure on world prices under Gatt. But EU poultry prices would fall by more than beef because of cheaper grain, which would cause a drop in EU beef consumption. That meant the EU would need to import less beef while maintaining exports.

Mr Bennink said it was important to try to maintain a balance between different meat prices so that beef would not be allowed to rise to more than double the poultry price.

Commodity fund seeks uses for unwanted support money

By Frances Williams in Geneva

The Common Fund for Commodities is to draw up proposals for a programme of technical assistance to aid commodity producers to trade their wares efficiently. The move follows strong pressure on the Amsterdam-based fund to find a good use for some $20m, left untouched because it is earmarked for commodity price support operations that have never materialised.

Australia, Canada and New Zealand have withdrawn from the fund and others have threatened to follow suit if a solution is not found soon.

At its annual governing council meeting earlier this week, the fund's 105 members agreed to prepare a technical assistance programme that would enable commodity producers to take better advantage of new trading opportunities opened up by the Uruguay Round global trade accords.

Mr Bruno de Vuyst, council secretary, says the focus will be on helping countries to organise efficient national and regional commodity exchanges, improving warehousing and advising on relevant legislation.

Fund members also agreed this week to come up with new ideas for employing the $71m of capital contributions in the so-called "first account", including possible amendment of the 1980 treaty setting up the fund. This requires the surplus income from the first account (after covering $3m-a-year administrative costs) to be used for loans to cover buffer stock operations.

Since the treaty was signed, price stabilisation accords have fallen out of favour. Only one commodity pact with buffer stock arrangements – on natural rubber – now remains and its members have shown no interest in using "first account" resources.

The fund, which began operations in 1989, has also come under fire for the slow start of its "second account" programme, which uses voluntary contributions from donors to help finance commodity development projects.

However, 27 projects worth $60m have now been approved (21 of them in the past two years) with the fund contributing $23.6m. The remaining cash has been raised from other national and international organisations.

In a less encouraging development, the governing board failed this week to elect a new managing director after votes split equally between the two leading candidates, Mr Dany Ghekiere of Belgium and Mr Ernest Leung of the Philippines.

The present managing director, Mr Budi Hartantyo of Indonesia, is to serve for a further year while countries come up with fresh nominations.

Australian crop loss estimate raised to 54%

by Nikki Tait in Sydney

Australia's winter crop production is now expected to fall by 54 per cent over last year's level as a result of the severe drought in Queensland and New South Wales. The drought is also forecast to slice A$2.9bn of national income generally, equivalent to a 0.7 percentage point reduction in the economic growth rate.

The new estimates, released by Senator Bob Collins, Australia's primary industries minister, represent yet another increase in the forecast impact of the weather conditions on the nation's rural production and the overall economy.

Previously, the Australian Bureau of Agriculture and Resource Economics had suggested that the drought would clip national income in 1994-95 by A$2bn. It had also forecast that the winter crop yield would be around 17m tonnes. The new number is 13m tonnes, compared with 28m tonnes in 1993-94.

Senator Collins added that the wheat crop was now expected to fall by 50 per cent, to its lowest level since 1972. In its last quarterly crop report, Abare had previously suggested a 38 per cent fall, to 10.4m tonnes. The minister also said that the Bureau of Meteorology was forecasting that the drought would persist until the end of the year at least, followed by poor and late summer rains.

EU to issue licences covering Windwards' banana losses

By Deborah Hargreaves

Additional licences for exports of bananas into the European Union market will be awarded on Monday to companies that ship fruit from the Windward Islands. The European Commission has agreed that importers can substitute bananas from other sources to replace fruit in the Caribbean group that was damaged by September's tropical storm.

The commission has awarded 14,800 extra licences to St Lucia, 2,700 to Dominique, 5,900 to Guadeloupe and 30,000 to Martinique. These will be allocated to companies shipping to the EU.

Channel Islands company in Kazakh gold and diamond venture

By Kenneth Gooding

A small company based in the Channel Islands is part of a joint venture that was yesterday awarded a licence to explore for gold and diamonds in a huge area of Kazakhstan.

The Moonstone Group, which says it can call on Australian, Bahraini, Swiss and UK finance and expertise, has joined with Altynalmas, Kazakhstan's gold and precious stones organisation, to form the Altyn-Tas joint venture. This has been licenced to explore 56,000 sq km of the Zhambyl region in the republic's south-western gold belt.

The 50-50 joint venture will also build a gold bullion plant at the Akbakai mine in the region and introduce bacterial leaching technology into the country to help treat difficult ores, particularly those containing arsenic.

The joint venturers will start in a modest way. Mr Yannic Mercier, chairman of Moonstone and who shares chairmanship of the joint venture with Mr Abdrakhman Begalinov, president of Altynalmas, said the licence agreement commits A-T to spending a minimum of US$2m annually on exploration for five years. However, it also gives the joint venturers the right to mine any gold and diamond reserves they discover. A-T will also provide $3.7m towards the cost of the gold plant at Akbakai, a facility designed by the Western Australian company, Signet Engineering, whose founder, Mr Tom Duckworth, is an A-T director.

Moonstone owns 22 per cent of BacTech (Australia) which uses bioleaching technology first developed in the chemistry department of King's College, London. Moonstone has exclusive rights to the use of the BacTech process in the Commonwealth of Independent States.

The first commercial application of BacTech started recently at Gold Mines of Australia's Youanmi Deeps mine near Mt Magnet in Western Australia.

Mr Mercier said the Russian Ministry of Geology had spent about US$22m during the past 30 years to map the Zhambyl region so that its its mineral resources could be evaluated.

Kazkhstan is welcoming foreign capital for its mining industry because it aims to increase gold output substantially. Altynalmas's Mr Begalinov said earlier this year that his government wanted to lift annual output from about 14 tonnes to between 42 and 56 tonnes very quickly to build reserves to back the country's new currency.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1920-1	1945-6
Previous	1910-1	1936-7
High/low	1905	1961/1913
AM Official	1905-6	1929-9.5
Kerb close		1945-6
Open int.	254,186	
Total daily turnover	73,539	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1850-60	1880-90
Previous	1845-55	1875-85
High/low		1890/1865
AM Official	1830-40	1865-75
Kerb close		1890-5
Open int.	3,046	
Total daily turnover	576	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	637-8	652.5-3
Previous	636.5-7.5	654-5
High/low	631	658/647
AM Official	630.5-1	647.5-8.5
Kerb close		652-3
Open int.	43,792	
Total daily turnover	8,839	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8060-70	8180-5
Previous	8025-35	8155-60
High/low		8270/8100
AM Official	8025-35	8150-60
Kerb close		8260-70
Open int.	67,467	
Total daily turnover	9,887	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6040-50	6130-5
Previous	6065-75	6155-60
High/low		6160/6100
AM Official	6040-50	6130-1
Kerb close		6141-50
Open int.	23,310	
Total daily turnover	5,612	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1121-2	1148-50
Previous	1129-30	1157-8
High/low	1118	1158/1142
AM Official	1118.5-9	1147-8
Kerb close		1158-9
Open int.	107,507	
Total daily turnover	34,872	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2948-50	2915-6
Previous	2955-8	2913-4
High/low	2940	2924/2887
AM Official	2940-1	2905-6
Kerb close		2920-1
Open int.	243,781	
Total daily turnover	99,405	

■ LME AM Official £/$ rate: 1.5700
LME Closing £/$ rate: 1.5655

Spot:1.5652 3 mths:1.5654 6 mths:1.5650 9 mths:1.5648

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Dec	138.85	+1.70	139.00	135.50	11,203	3,031
Jan	136.85	+1.75	136.90	134.00	1,368	280
Feb	135.35	+1.70	-	-	734	72
Mar	133.95	+1.70	134.25	131.00	28,062	6,687
Apr	131.35	+1.50	-	-	671	72
May	128.45	+1.05	128.60	126.25	2,893	437
Total					53,006	11,290

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	379.80-380.20	
Opening	381.10-381.50	
Morning fix	381.20	243.143
Afternoon fix	380.10	242.148
Day's High	381.40-381.80	
Day's Low	379.10-379.50	
Previous close	382.80-383.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....5.08 6 months 5.61
2 months ....5.21 12 months 6.17
3 months 5.29

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.75	491.75
3 months	318.35	496.95
6 months	323.60	507.05
1 year	335.40	525.15

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	244-247
Maple Leaf	390.60-393.10	-
New Sovereign	88-91	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	378.6	-2.1	380.3	376.7	6,586	5,088
Jan	380.2	-2.2	380.0	380.0	-	-
Feb	382.3	-2.2	384.3	380.5	80,589	42,090
Apr	386.2	-2.3	388.0	384.5	15,308	483
Jun	390.2	-2.3	392.4	388.5	18,861	1,882
Aug	394.6	-2.2	396.0	394.0	11,803	79
Total					172,169	50,615

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	401.1	-3.2	403.5	399.0	15,004	5,676
Apr	405.7	-3.2	407.5	404.5	9,586	393
Jul	410.0	-3.2	412.5	410.0	1,962	19
Oct	414.5	-3.2	-	-	830	13
Jan	417.5	-3.2	-	-	12	-
Total					27,394	6,091

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	152.75	-0.75	154.00	152.00	790	466
Mar	155.00	-0.75	155.25	153.50	5,889	791
Jun	156.00	-0.75	-	-	614	25
Sep	156.75	-0.75	-	-	96	-
Total					7,399	1,282

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	490.7	+1.1	491.0	486.0	5,062	6,037
Jan	492.7	+1.5	492.0	491.0	97	8
Feb	495.5	+1.2	-	-	-	-
Mar	498.5	+1.0	499.0	493.5	80,455	40,363
May	504.4	+1.0	505.0	500.0	7,444	722
Jul	510.7	+1.0	510.5	505.0	7,518	4,863
Total					136,552	66,872

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	18.07	+0.02	18.12	17.86	91,504	34,601
Feb	18.02	+0.02	18.07	17.93	60,113	20,035
Mar	17.97	-0.01	18.05	17.92	34,808	9,040
Apr	17.95	-0.01	18.01	17.95	18,402	5,384
May	17.96	+0.02	17.96	17.96	14,119	5,058
Jun	17.92	-0.03	17.96	17.89	26,722	5,220
Total					385,882	115,973

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	17.13	+0.02	17.16	17.07	89,395	16,589
Feb	16.95	+0.03	16.97	16.90	44,273	12,723
Mar	16.83	+0.01	16.84	16.79	15,672	2,639
Apr	16.74	-0.02	16.78	16.74	7,306	388
May	16.73	-0.01	16.74	16.71	5,873	792
Jun	16.67	-0.03	16.70	16.65	5,937	80
Total					178,776	34,311

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	49.30	-0.25	49.80	49.10	54,272	21,935
Feb	50.00	-0.15	50.45	49.85	28,247	7,102
Mar	50.35	+0.10	50.55	50.15	13,628	3,654
Apr	49.80	+0.05	49.80	49.80	9,559	1,101
May	49.25	+0.35	49.60	48.80	5,419	467
Jun	49.15	+0.10	49.15	49.15	6,971	196
Total					144,424	53,442

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	147.25	-	148.50	147.25	30,574	5,593
Jan	149.75	-0.25	151.25	149.75	26,435	6,377
Feb	152.00	-0.25	153.25	152.00	18,288	2,284
Mar	153.75	-0.25	154.75	153.50	10,017	3,349
Apr	153.00	-0.50	154.00	153.00	3,527	217
May	153.25	-	153.50	153.50	924	35
Total					99,178	17,942

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	1.700	+0.005	1.720	1.658	32,749	17,577
Feb	1.740	+0.009	1.760	1.710	18,196	5,602
Mar	1.740	+0.005	1.760	1.715	15,090	4,077
Apr	1.710	+0.005	1.720	1.695	8,037	2,252
May	1.720	-0.005	1.725	1.700	8,278	1,275
Jun	1.730	-	1.750	1.720	7,265	991
Total					136,902	37,816

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	54.75	-0.31	55.30	54.50	29,731	15,772
Feb	55.00	-0.18	55.40	54.95	13,983	4,651
Mar	55.80	-0.10	55.80	55.60	7,739	1,553
Apr	58.65	-0.05	58.90	58.70	7,156	552
May	58.23	-	-	-	3,216	561
Jun	57.45	+0.05	57.70	57.45	1,106	3
Total					70,414	38,008

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.75	-0.35	106.00	105.60	1,852	176
Mar	106.80	-0.55	107.00	106.75	1,580	94
May	108.75	-0.60	108.85	108.75	1,695	106
Jul	110.65	-0.60	111.00	111.00	243	7
Sep	95.25	-0.15	-	-	89	-
Nov	96.20	-0.25	96.50	96.25	794	80
Total					6,253	463

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	374/6	+2/4	375/4	370/2	4,917	6,377
Mar	387/4	+3/0	388/0	383/0	41,893	22,580
May	368/4	+0/6	370/0	366/4	5,763	1,876
Jul	338/2	-0/2	341/0	336/6	12,465	2,712
Sep	343/4	-	345/0	343/4	568	24
Dec	355/4	-0/4	355/4	354/0	211	32
Total					65,838	33,603

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	214/0	+1/0	216/4	213/2	21,823	19,226
Mar	223/6	+0/6	226/2	222/6	112,879	31,033
May	230/4	+1/0	232/6	229/6	38,848	4,470
Jul	234/6	+1/0	237/0	233/6	46,278	5,368
Sep	239/4	+0/4	241/0	239/4	4,460	395
Dec	244/4	-0/2	246/0	244/4	22,902	1,843
Total					248,722	62,207

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	102.50	-0.40	102.50	102.50	415	10
Mar	104.50	-0.50	-	-	134	-
May	106.50	-0.50	-	-	44	-
Sep	94.00	-0.50	-	-	32	-
Nov	95.00	-0.25	-	-	81	-
Jan	96.00	-	-	-	-	-
Total					706	10

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	556/6	-6/6	565/4	555/0	50,470	33,590
Mar	565/4	-7/4	576/0	564/0	32,625	9,259
May	572/6	-8/4	582/0	571/0	16,767	2,533
Jul	577/6	-7/4	588/2	576/0	25,070	3,876
Aug	579/0	-8/0	588/0	579/0	2,007	248
Sep	580/4	-7/0	589/0	580/4	1,224	217
Total					139,724	50,582

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	28.54	-0.19	29.07	28.38	16,118	3,694
Jan	27.33	-0.35	27.83	27.16	38,148	9,898
Mar	26.35	-0.36	26.95	26.20	27,401	4,859
May	25.37	-0.33	25.95	25.20	17,984	1,848
Jul	24.68	-0.19	25.12	24.58	11,086	1,540
Aug	24.30	-0.22	24.85	24.30	2,318	214
Total					121,880	23,291

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	155.4	-1.2	157.0	155.2	10,191	8,435
Jan	157.2	-1.4	159.0	157.0	32,189	10,913
Mar	161.0	-0.9	162.7	160.9	26,167	5,929
May	165.0	-1.3	166.9	165.0	12,579	943
Jul	169.6	-1.5	171.7	169.5	11,584	1,373
Aug	171.7	-1.8	173.7	171.7	2,843	327
Total					104,672	28,497

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	250.0	-	-	-	-	-
Apr	268.8	+11.0	267.0	257.9	1,305	130
May	282.5	-	-	-	2	-
Jun	250.0	-	-	-	-	-
Total					1,307	130

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	2003	+3	2005	2003	381	10
Jan	1955	+45	1955	1935	1,073	192
Feb	1920	-	1920	1915	-	71
Apr	1838	+38	1842	1820	1,211	191
Jul	1580	+54	1588	1540	197	126
Oct	1670	+32	1670	1670	22	4
Total					2,884	594

	Close	Prev
BFI	1940	1932

Wool

Prices in the main primary markets have often tended to ease this week. South Africa provides an exception but most Australian and New Zealand wool sold at lower prices at auctions there. Finer merinos, which led the overall wool price recovery, have eased more sharply than broader categories. Clearances were also lower at some Australian sales, and nearly a third of the Freemantle offering was withdrawn at grower reserves at the final week of the sale there. Beyond raw wool auctions the major barrier of price resistances at the retail end remains. There is little business coming through and company chairmen continue to stress the difficulty in passing on the considerable wool price rises in an anti-inflationary environment. Australia's Eastern states market indicator closed at 774c/kg, down from 792c/kg a week before.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	928	+14	937	917	9,430	2,370
Mar	934	+8	940	925	45,649	6,146
May	939	+8	949	935	17,265	1,765
Jul	951	+10	959	946	7,628	281
Sep	958	+6	967	958	13,385	367
Dec	977	+8	989	974	10,394	885
Total					112,882	12,343

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1213	+13	1218	1204	467	27
Mar	1231	+3	1245	1228	43,058	12,577
May	1256	+2	1266	1254	10,151	2,022
Jul	1277	+2	1286	1276	4,009	598
Sep	1303	+1	1305	1305	1,682	145
Dec	1328	-8	1335	1330	5,366	83
Total					77,546	22,616

■ COCOA (ICCO) (SDR's/tonne)

Nov. 30	Price	Prev. day
Daily	932.15	922.04

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2924	+71	2925	2875	10,685	1,495
Mar	2875	+71	2880	2840	9,690	1,677
May	2837	+59	2840	2805	4,410	573
Jul	2818	+55	2820	2805	1,475	295
Sep	2798	+47	2815	2780	2,607	101
Nov	2780	-48	2805	2800	349	15
Total					29,216	4,156

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	158.00	+0.85	158.50	157.00	336	264
Mar	161.70	+0.90	162.50	159.70	17,743	6,634
May	164.00	+0.85	164.85	162.00	6,373	896
Jul	165.60	+0.35	166.40	164.85	2,579	77
Sep	167.46	+1.20	168.20	166.50	1,310	415
Dec	167.95	+0.70	-	-	1,110	317
Total					29,984	8,615

■ COFFEE (ICO) (US cents/pound)

Nov. 30	Price	Prev. day
Comp. daily	149.70	154.08
15 day average	166.03	167.76

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00		-	-	370	-
Mar	14.65	-0.25	-	-	860	-
May	14.60	-0.15	-	-	300	-
Jul	14.55	-0.18	-	-	-	-
Total					1,530	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	404.90	-4.90	409.00	402.50	12,198	2,046
May	397.70	-6.20	401.50	395.50	4,630	1,454
Aug	387.70	-6.00	390.90	385.50	3,984	600
Oct	357.60	-5.30	361.00	355.00	1,625	102
Dec	353.30	-5.80	352.00	352.00	136	6
Mar	362.10	-5.80	-	-	199	-
Total					22,802	4,286

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.44	-0.27	14.69	14.39	99,993	16,544
May	14.50	-0.21	14.71	14.45	35,217	6,164
Jul	14.21	-0.23	14.45	14.21	23,175	3,570
Oct	13.41	-0.22	13.61	13.39	22,662	3,242
Mar	12.90	-0.10	13.07	12.90	5,917	505
May	12.83	-0.10	12.95	12.80	1,314	51
Total					189,178	30,380

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	79.80	+2.50	80.20	77.75	957	287
Mar	81.38	+2.00	81.38	80.00	30,742	5,736
May	82.45	+2.00	82.45	81.30	6,883	868
Jul	82.97	+1.99	82.98	81.60	6,580	264
Oct	74.10	+0.95	74.45	73.40	838	160
Dec	72.10	+0.60	72.60	71.75	4,098	303
Total					51,141	7,439

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.80	+4.20	105.70	101.75	12,141	4,248
Mar	109.65	+3.95	109.60	106.10	7,079	1,650
May	113.15	+3.85	113.15	110.95	1,946	68
Jul	115.50	+2.60	115.50	114.85	1,026	80
Sep	119.20	+2.80	119.50	118.00	1,359	2
Nov	119.70	+2.80	120.00	119.70	1,312	2
Total					28,801	6,063

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 1	Nov 30	month ago	year ago
2150.8	2148.3	2105.0	1621.4

■ CRB Futures (Base: 1967=100)

Nov 30	Nov 29	month ago	year ago
229.34	230.59	234.61	220.20

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	67.775	+0.350	67.875	67.250	15,293	8,016
Feb	67.875	+0.625	67.900	67.250	28,448	15,471
Apr	69.200	+0.575	69.275	68.750	17,955	3,052
Jun	64.950	+0.500	65.000	64.475	6,227	1,189
Aug	63.225	+0.500	63.250	62.900	2,459	203
Oct	63.950	+0.550	63.950	63.650	1,019	285
Total					71,861	28,222

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	30.850	+0.175	31.050	30.650	7,808	5,132
Feb	34.525	+0.125	34.750	34.350	13,735	3,448
Apr	35.775	+0.400	35.825	35.350	6,749	1,050
Jun	41.175	+0.500	41.200	40.675	4,285	384
Aug	41.300	+0.400	41.350	40.900	985	77
Oct	39.375	+0.400	39.400	39.050	828	100
Total					35,378	10,317

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	37.150	+0.900	37.400	36.250	8,059	2,158
Mar	37.350	+0.850	37.600	36.600	1,404	310
May	38.375	+0.750	38.950	38.000	479	44
Jul	39.200	+0.700	39.750	36.700	405	54
Aug	38.250	+0.800	38.250	37.700	140	24
Feb	47.400	+0.900	47.400	47.400	9	3
Total					10,497	2,593

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1900	119	154	75	116
1950	94	131	99	142
2000	73	110	127	170
■ COPPER (Grade A) LME	Feb	May	Feb	May
2900	134	110	96	198
2950	110	93	121	227
3000	89	78	149	261
■ COFFEE LCE	Jan	Mar	Jan	Mar
3000	78	165	154	290
3050	62	150	188	325
3100	49	136	225	361
■ COCOA LCE	Mar	May	Mar	May
900	53	60	-	26
925	28	46	-	37
950	6	35	3	61
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	118	123	5	43
1650	72	94	12	70
1700	35	70	25	96

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$16.07-6.15z	+0.120
Brent Blend (dated)	$16.99-7.01	+0.060
Brent Blend (Jan)	$17.09-7.11	+0.060
W.T.I. (1pm est)	$18.03-8.05z	+0.030

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$168-170	
Gas Oil	$149-150	
Heavy Fuel Oil	$98-100	+2
Naphtha	$179-181	
Jet fuel	$167-169	
Diesel	$153-154	

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

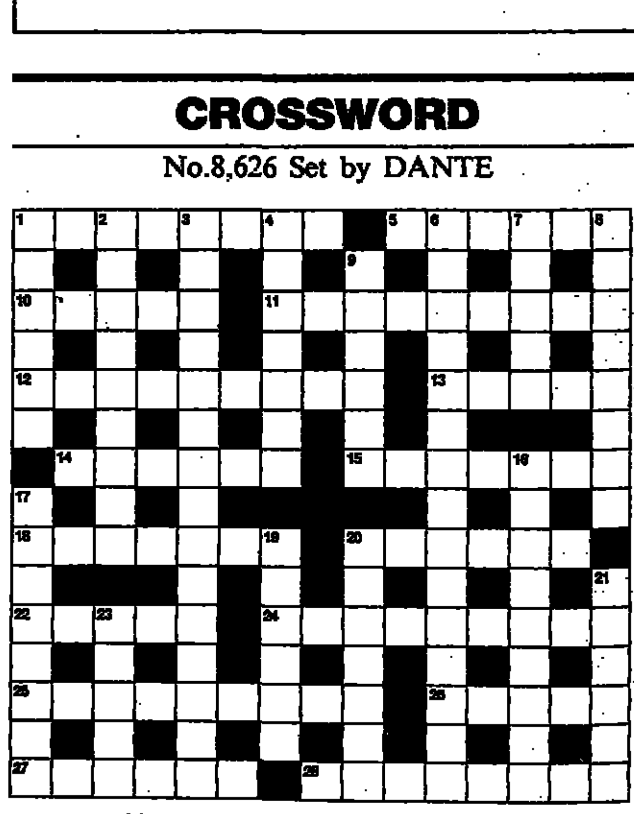
Gold (per troy oz)♣	$380.00	-3.00
Silver (per troy oz)♣	490.5c	-17.0
Platinum (per troy oz.)	$402.00	-7.50
Palladium (per troy oz.)	$152.00	-2.60
Copper (US prod.)	141.0c	+1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.27r	+0.20
Tin (New York)	284.5c	
Cattle (live weight)†	117.85p	+1.66*
Sheep (live weight)†♦	111.61p	+5.73*
Pigs (live weight)	80.55p	+2.19*
Lon. day sugar (raw)	$355.20	+1.30
Lon. day sugar (wte)	$417.50	-1.50
Tate & Lyle export	£341.00	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0v	
Wheat (US Dark North)	£165.0v	
Rubber (Jan)♥	93.00p	+1.00
Rubber (Feb)♥	92.75p	+1.25
Rubber (KL RSS No1 Jul)	353.5m	+0.5
Coconut Oil (Phil)§	$700.0y	-5.00
Palm Oil (Malay.)§	$750.0u	-8.00
Copra (Phil)§	$474.0q	
Soyabeans (US)	£167.0v	
Cotton Outlook'A' index	81.85c	+0.75
Wooltops (64s Super)	464p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ⊙ Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.90-7.92

JOTTER PAD

CROSSWORD

No.8,626 Set by DANTE



ACROSS

1 Angry about dress getting wet (8)
5 A tense time ahead (6)
10 Animal arrived, then left (5)
11 Get cross with Eric and Basil when upset (9)
12 Sort of vegetable for a chap to leave? (9)
13 Billy's mate – good with children (5)
14 Nut-crackers? (6)
15 Quiet pincer movement using radio apprehended this murderer (7)
18 Gain from the elimination of crime (5,2)
20 Isle of Man returns yet another 50 per cent (6)
22 City which captivated Helen (5)
24 Not at home with the food (6,3)
25 Forbore to put artist in cultured surroundings (9)
26 Many an old ship is slow in movement (5)
27 Check for security guard (6)
28 Flier may change to a soldier's career (4,4)

DOWN

1 Enter earnings (6)
2 Prominent feature of Anne's room (5,4)
3 Inevitable parting gift from Midas (6,9)
4 Tradesmen are unfit to occupy high positions (7)
6 International organisation and state combine, without strings (15)
7 Abraham's birthplace has to proscribe municipal status (5)
8 All made the day before Roy changed quarters (8)
9 Master of ceremonies swallows a wine gum (6)
16 Tip or pour out a delightful mixture (3-6)
17 Insignia of royalty in other respects (8)
19 Tidies up? No, down! (6)
20 Ring-fighter? (7)
21 One way to dress for disco lighting (6)
23 Appeal to the umpire with some hesitation (5)

Solution 8,625

CONSTANTINOPLE
A R A P H U O S
DAILY PORTRAITS
O G S L E S N E
NOISOME WHEATEN
I N T M E
STAFF REPEATERS
T A E E I L
PRESCIENT DROPS
I E U P T
LOGICAL LITHELY
G E L I A O N L
RATPOISON PIECE
I O T T C I N D
MANCHESTERCITY

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate worries trigger heavy selling

By Steve Thompson

The spectre of higher interest rates on both sides of the Atlantic returned to haunt the UK equity market, almost wiping out the hard won gains in London that followed the Budget.

Dealers, shocked at the level of selling pressure affecting the market yesterday, said they expected further weakness if Wall Street showed any more signs of distress.

Some feared another fall below 3,000 on the FT-SE 100, although strategists said such a decline would meet strong resistance, pointing out that recent moves below 3,000 had prompted exceptionally heavy support around 2,980.

The FT-SE 100 retreated 41.8 or 1.3 per cent to 3,096.6. Selling spilled over into the second liners, depressing the FT-SE Mid 250 Index by 20.2 to 3,477.1.

Much of yesterday's business was linked to another flurry of heavy programme trades, which tended to exaggerate price changes in many areas. Dealers also pointed to big shifts as fund manager realigned their sector portfolios in the wake of the Budget.

Increased fears that UK interest rates may soon increase to choke off inflationary pressures prompted by excessive economic growth caused the early damage in London, and these worries were gradually heightened as the session wore on with the latest economic news from the US. The UK chancellor is to hold his regular monthly meeting with the Governor of the Bank of England next Wednesday.

In the US, the National Association of Purchasing Management survey came in at 61.2 per cent, compared to most forecasts which were below 60 per cent. US personal incomes also increased sharply.

These figures, following the higher than expected upward revision of US gross domestic product for the third quarter and a higher than expected Chicago Purchasing Management index, saw Wall Street lose more than 15 points shortly after it opened. The US market then rallied to 7 down before falling away again and posting a 25-point loss two hours after London closed.

All eyes will be sharply focused today on the US employment report. If the non-farm payroll in the US increases by much more than an expected figure of around 200,000, dealers fear Wall Street could take another dive. The next meeting of the Federal Reserve's Open Market Committee takes place on December 20, and more evidence of strong growth in the US economy is thought likely to push the Fed into another rise in rates.

The Footsie opened around two points easier but quickly fell away in the wake of sustained pressure from the derivatives markets. When a series of programme trades, some on the sell side and some evenly balanced, hit the market prices tumbled as marketmakers took evasive action. The biggest of at least three programmes was said to have been operated by Smith New Court.

There was no let-up in the selling and shares fell to their lowest levels in mid-afternoon before stabilising in the last hour.

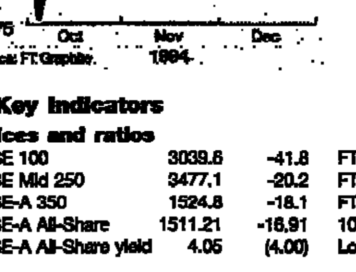
Turnover reached 721.3m shares, the highest for almost two weeks, with non-Footsie stocks accounting for 54 per cent of the total. Customer business on Wednesday was worth £1.38bn.

Only nine of the FT-SE 100 constituents escaped the market sell-off. Hanson pleased the market with excellent preliminary figures, as did BPB with interims well above expectations.

Regional electricity stocks outpaced other utilities after Seeboard fulfilled the market's best expectations in announcing a 21 per cent increase in the interim dividend.

On the downside, Royal Bank of Scotland came out with sparkling numbers, including a 25 per cent increase in the dividend, but the shares succumbed to profit-taking. MEPC disappointed with a rise of only 13 per cent in its net asset value.

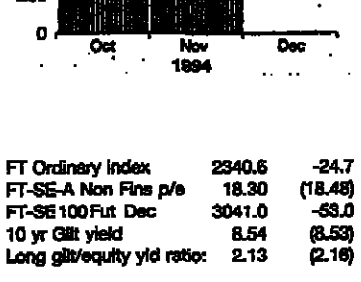
FT-SE-A All-Share index



Source: FT Graphite.

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3039.6	-41.8	FT Ordinary index	2340.6	-24.7
FT-SE Mid 250	3477.1	-20.2	FT-SE-A Non Fins p/e	18.30	(18.48)
FT-SE-A 350	1524.8	-18.1	FT-SE 100 Fut Dec	3041.0	-53.0
FT-SE-A All-Share	1511.21	-16.91	10 yr Gilt yield	8.54	(8.53)
FT-SE-A All-Share yield	4.05	(4.00)	Long gilt/equity yld ratio:	2.13	(2.16)

Best performing sectors		Worst performing sectors	
1 Electricity	+0.1	1 Insurance	-2.5
2 Water	-0.1	2 Tobacco	-2.3
3 Other Services & Bsns	-0.1	3 Banks	-2.1
4 FT-SE SmallCap ex IT	-0.1	4 Property	-2.0
5 Merchant Banks	-0.2	5 Health Care	-1.6

Buyers move on Hanson

International conglomerate Hanson was one of the few stocks in the Footsie to hold its head above the waves as optimism over top of the range figures overcame the pessimism over cyclical stocks. The two-way view on the stock ensured that it finished the day only 1¾ better at 237p, masking unusually heavy turnover of 20m shares.

Profits of just above £1bn were boosted by benefits from Quantum, the chemical arm acquired last year. And Goldman Sachs said the surge in polyethylene prices would continue to lift earnings. "Polyethylene has risen from 28 to 37 cents a pound this year. Every cent adds $35m to profits and we expect prices to hit the mid-40s next year," commented the house specialist.

The cyclical nature of Hanson's business has been the main drag on the share price and some long term doubts persist, particularly in the US where interest rate rise worries are multiplying. But analysts were edging up forecasts on the back of earnings recovery. Mr Geoff Allum of NatWest Securities said: "I would expect the share price to respond to the pick-up in Hanson's markets following this solid set of figures." Mr Allum raised his earnings per share forecast to 18.7p from 17.9p on the basis of company comments that the tax charge would fall below 25 per cent.

RBoS profit-taking

The market appeared to have lost its affection for Royal Bank of Scotland. Neither a 25 per cent dividend increase nor a doubling of profits was able to help the share price.

Both the dividend of 13.75p and the profits of £532m were at the top of the range of analysts estimates. Nevertheless, the feeling that earnings from RBoS's insurance arm Direct Line were about to peak saw the shares fall 20 to 400p.

Credit Lyonnais Laing, the leading supporter of the stock, maintained its comparatively high £635m profits forecast for the current year and said "long term buying from the quality funds" had been offset by short term trading. It added that, as the stock was the most volatile in the sector, it was historically the most affected by broad market moves.

Detractors said the bank's premium rating could only be maintained if Direct Line continued to grow. Mr Rod Barrett of Goldman, who held his current forecast at £595m, said: "Underlying growth out there is not happening." Some added that operating profits were disappointing and a large property revaluation had not been addressed.

The market was disappointed with the net asset valuation from property group MEPC, which reported full-year profits in line with expectations. The shares retreated 18 to 385p as analysts downgraded nav figures for the current year. James Capel cut its nav forecast by 40p to 500p, citing the lack of significant rental growth and continued high real interest rates. However, the broker has moved its recommendation to a hold from a sell.

Sentiment in MEPC spread to Hammerson and the shares fell 12 to 314p, and British Land gave up 8 to 357p. Land Securities tumbled 16 to 576p.

Plumbing specialist Spring Ram was the day's most active stock with 29m shares - 8 per cent of the equity - traded. The heavy volume rekindled the inevitable speculation that former chairman Mr Bill Rooney had disposed of part of his 13.5 per cent stake in the company. The shares were unchanged at 44p

An upbeat interim statement boosted plaster board specialist BPB Industries by 2 to 295p and led to a modest amount of profits upgrading by analysts. UBS edged ahead by £5m to £155m for this year and translated BPB's commitment to a "progressive" dividend policy into a total 1994-95 payout of 9p, up from 8.1p a share last time.

Elsewhere among building materials shares, Anglian tumbled 25 to 175p on the back of weak interim earnings and a warning of lower full year profits.

There was a mixed reaction to full year figures from food and drinks group Grand Metropolitan which brought heavy turnover of 14m as the shares closed 5 lower at 378p.

Shares in Rank Organisation were among a handful that managed to resist the poor market trend. They edged up ½ to 412½p, in trade of 4.3m with a line of about 1m shares said to have been switched from Granada Group into Rank as part of programme trade executed on Wednesday evening.

A further boost to sentiment came when Kleinwort Benson reiterated its positive stance on the stock. Mr Paul Slattery at the securities house believes, "the prospects for earnings growth at Rank are double the level for the market."

Granada gave 11½ to 510p as uncertainity over the value of its stake in broadcaster BSkyB continuing to overhang.

Food manufacturer United Biscuits eased only a penny to 316p, after NatWest Securities advised investors to "add" to holdings. The securities house said: "There are early signs that the measures to improve the group's competitive position are begining to pay off."

Merchant bank Kleinwort Benson improved 8 to 481p in response its purchase of a 20 per cent stake in LaSalle Partners of the Chicago.

Singer & Friedlander saw 16m shares traded after institutional investors buying into the diversified group following acquisition of broker Carnegie.

Broker BZW argued the deal was a "fairly significant enhancement of earnings". The shares closed 1 higher at 84p.

Healthcare group AAH fell 48 to 336p after a drop in interim profits projection of a decline in full year results.

Buyers of utilities continued to chase the regional electricity companies and water stocks, helping several resist the market slide. Eastern gained 3 to 805p, and Scottish Power which announced a new chief executive, finished 4 ahead at 357p.

The market had discounted the favourable figures and 21 per cent dividend increase from Seeboard. The shares surrendered 1 to 424p, with Yamaichi advising investors to switch into Yorkshire, 5 better at 513p, and Southern, a penny down at 555p.

Engineers GKN was one of the few Footsie stocks to finish up on the day, gaining 2½ to 626p in modest 1.2m turnover. There was said to be switching out of troubled T&N which dipped a further 6 to 160p.

APV put on 3 to 64p with the market starting to anticipate the long awaited restructuring package.

Control Techniques jumped 7 to 521p following a bid of 525p a share from US group Emerson which moved into the market to boost its stake in the company to 37.3 per cent.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (12).
DISTRIBUTORS (1) Finelist, INVESTMENT TRUSTS (5) OIL EXPLORATION & PROD (1) Seafield Res., PHARMACEUTICALS (1) Caltech, SUPPORT SERVS (2) Business Post, MMT Computing, TRANSPORT (2) GRT Bus, Go-Ahead.

NEW LOWS (96).
GILTS (1) BREWERIES (3) Fuller STA, Young Brew A, Do N/Vtg., BUILDING & CNSTRN (6) AMEC, Do 6½p Cnv. Prf., Berkeley, Britannia, McAlpine (A), BLDG MATLS & MCHTS (3) Anglian, Cape, Lilleshall 9pc (Net) Prf., CHEMICALS (4) Gibbon, Hickson Int'l., Wellington, Yorkshire Chems., DISTRIBUTORS (5) Headlam, Lex Service, Malaya, PCT, Vardy (Reg), DIVERSIFIED INDLS (4) ELECTRNC & ELECT EQUIP (5) Bowthorpe, CML Microsystems, Chloride, Pacer Systems, TDS Circuits, ENGINEERING (8) Babcock Int'l., Barry Wehmiller, Molins, OMI Int'l., Richardson Westgarth, Wheeman, ENG. VEHICLES (1) Select Inds, EXTRACTIVE INDS (3) Dominion Mining, Resolute Res., St. Helena, HEALTH CARE (4) AAH, Amersham Int'l., Haemocell, UniChem, HOUSEHOLD GOODS (2) Fine Decor, Reckitt & Colman 5½pc Cv. Bond, INSURANCE (1) General Accident, INVESTMENT TRUSTS (11) INVESTMENT COMPANIES (1) European Assets, LEISURE & HOTELS (3) Barr & WAT., Do A, Mandarin Oriental Int'l., LIFE ASSURANCE (2) London & Manchester, Refuge, MEDIA (5) Birdsdale, Gold Greenless Trott, Trinity Int'l., WMGO, Do Wnts., OIL EXPLORATION & PROD (2) Com-Tek Res., Presidio Oil A, OTHER FINANCIAL (2) Johnson Fry, Tyndall Australia Options, PROPERTY (13) Barlows, British Land, Do 6pc Cv. Bd., Do 6 5/8pc Cnv. Prf., Chesterfield, Daejan, Gt. Portland, HK Land, Land Securities, MEPC, Peel, Raglan Props. Wnts., Southend Property, RETAILERS, FOOD (1) Geest, RETAILERS, GENERAL (3) Beattie (J) A, Boots, Essex Furniture, TEXTILES & APPAREL (2) Courtaulds Textiles, Parkland, TRANSPORT (2) LOF's, Mayne Nickless, AMERICANS (1) Quaker Oats, CANADIANS (1) Echo Bay Mines.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures came down with a bump, unwinding much of the recent rally in another session of relatively thin volume, *writes Jeffrey Brown.*

The FT-SE 100 December contract stood at 3,041 at the official close, down 52 points. The premium to the cash market was less than two points, or about half fair value.

Turnover was the same as on Wednesday at 12,828 contracts, so the volume of selling was not heavy but dealers said sentiment was at times distinctly negative.

The absence of volume drive was reflected in a wide 48-point trading arc, with the day's low of 3,036 comparing with the session's peak of 3,086 touched during the early morning.

In late screen-based trading the market took its cue from midsession weakness on Wall Street, pushing the December contract down to 3,036, with trading volume rising to in excess of 14,000 lots.

Traded options were active, with turnover reaching 32,365 contracts, against 27,102 on Wednesday, with the bias on the upside and calls outstripping puts by more than 1,000 lots. FT-SE option trading was 20,557 but with the Euro FT-SE barely dealt.

HSBC was by far the most active individual stock option with 3,073 lots transacted. Land Securities and National Power both topped 1,000 contracts traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	3083.0	3041.0	-53.0	3084.0	3034.0	14191	49461
Mar	3093.5	3056.0	-53.0	3093.5	3055.0	1016	13385
Jun	3086.0	3073.0	-54.0	3086.0	3086.0	100	275

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	3490.0	3490.0	-20.0	3490.0	3480.0	40	2546
Mar	-	3515.0	-20.0	-	-	0	2797

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	-	3470.0	-	-	-	-	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3038) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Dec	198½	4	153½	9	116½	16½	72½	30½	41	51	28½	83	9½	124	4	171
Jan	225½	25	187	35	151	49½	118½	68	87½	88	61½	115	40	145	26	182½
Feb	244	35	207½	48½	171	63	146	82½	111	103½	85½	130	63½	158½	46½	193½
Mar	253½	50½	217	64½	182½	80	153	100	124	121½	102½	149½	81½	179	63	211½
Jun†			253½	87½			198½	125½			140½	174			98	232

Calls 9,324 Puts 11,210

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	265	334	-2
ASDA Group†	5,600	65	-¼
Abbey National†	1,100	410	-8½
Albert Fisher	617	45	-1
Allied Domecq†	3,400	548	-13
Anglian Water	553	492	+1
Argos	1,600	340	-4½
Argyll Group†	5,500	250	-5
Arjo Wiggins†	2,800	259½	-2
Assoc. Brit. Foods†	714	542	-5
Assoc. Brit. Ports	3,600	279	-2
BAA†	712	497	-7
BAT Inds.†	3,700	437	-10
BET	8,800	102	+½
BICC	813	336	-½
BOC†	1,400	715	-6
BP†	7,100	420	-4½
BPB Inds.	901	295	+2
BT†	7,300	376	-3½
BTR†	8,900	282	-4
Bank of Scotland†	1,200	204	-3
Barclays†	4,800	588	-6½
Bass†	2,900	518	-10
Blue Circle†	1,300	301	-3
Booker	390	403	-11
Boots†	2,200	493	-6
Bowater†	1,300	450	-14
Brit. Aerospace†	1,200	440	-8
British Airways†	1,800	370	-7
British Gas†	14,000	306½	-8½
British Land	2,000	357	-8
British Steel†	13,000	157	-1½
Bunzl	688	169	-1½
Burmah Castrol†	602	818	-2
Burton	1,100	69¼	-¼
Cable & Wire†	5,900	379	-8
Cadbury Schweppes†	2,200	427	-4½
Caradon†	2,500	267	-6
Carlton Comms.†	1,100	883	-14
Coats Viyella	1,100	203	-2
Comm. Union†	1,200	523	-13
Cookson	2,900	242	
Courtaulds†	6,300	430	-6
Dalgety	539	423	-2
De La Rue†	280	1007	-12
Dixons	1,400	182	-1
Eastern Elec.†	520	805	+2½
East Midland Elec.	551	767	+1
Electrocomps	510	470	-3
Eng China Clays	3,100	338	-7
Enterprise Oil†	705	381	-4
Eurotunnel Units	253	258	+8
FKI	1,100	162	+1
Fisons	1,000	118	-4
Foreign & Col. I.T.	645	132½	-1½
Forte†	2,100	234	-2
Gen. Accident†	554	525	-8
General Elec.†	4,100	272	-4½
Glaxo†	5,300	612½	-4
Glynwed	2,100	345	
Granada†	3,900	510	-11½
Grand Met.†	14,000	378	-5
GUS†	834	553	-8
GRE†	3,300	174	-9
GKN†	1,200	626	+2½
Guinness†	6,500	452	-4
HSBC (75p shs)†	4,200	699	-18
Hammerson	953	314	-12
Hanson†	20,000	237	+1¾
Harrisons Crosfield	1,500	147	-4
Hays	981	296	-3
Hillsdown	667	162	-3
IMI	330	317	-3
ICI†	1,300	758	-8
Inchcape†	1,500	440	-4½
Johnson Matthey	611	558	
Kingfisher†	2,100	480	-7
Kwik Save	859	556	-2
Ladbroke†	1,200	157	-3
Land Securities†	2,300	576	-16
Laporte	345	701	+1
Legal & General†	1,300	430	-5
Lloyds Abbey	1,100	320½	-1½
Lloyds Bank†	5,200	580½	-14
LASMO	2,200	147	+½
London Elect.	584	699	+7
Lonrho	1,700	157	-½
Lucas	1,700	208	-½
MEPC†	3,100	385	-18
MFI	430	138	-1
Manweb	731	795	+4
Marks & Spencer†	4,500	400	-8½
Midlands Elect.	1,200	777	+4½
Morrison (Wm.)	1,600	133	-3
NFC	2,700	169	-2
NatWest Bank†	6,400	514	-7
National Power†	3,200	493	-2
Next	944	253	
North West Water†	1,300	542	
Northern Elect.	418	843	+5
Northern Foods†	1,700	205	-1
Norweb	621	803	+8
Pearson†	5,000	601	-13
P & O†	3,200	[illegible]	-17
Pilkington	2,700	164½	-3
PowerGen†	2,100	539	-5
Prudential†	1,900	314	-7
RMC†	595	991	-8
RTZ†	2,400	839	-6
Racal	388	225	-4
Rank Org.†	4,500	412½	+½
Reckitt & Colman†	2,100	550	-10
Redland†	491	465	-6
Reed Intl.†	671	785	-14
Rentokil†	1,600	227	-6½
Reuters†	2,500	490	-1
Rolls Royce†	5,600	178	-2½
Ryl Bk Scotland†	8,300	400	-20
Royal Insurance†	3,600	285	-6½
Sainsbury†	2,200	402	-9
Schroders†	35	1438	-15
Scottish & New.†	1,300	511	-6
Scot. Hydro-Elect.	1,700	334	+7
Scottish Power†	2,300	357	+4
Sears†	489	105	-3½
Sedgwick	327	150	-1
Seeboard	754	424	-1
Severn Trent†	629	532	-2
Shell Transport†	4,600	704	-11
Siebe†	2,500	558	-2
Slough Ests	1,900	216	-3
Smith (W.H.)	1,700	441	-8
Smith & Nephew†	2,200	149½	-2
SmKl Beecham†	8,100	424	
SmKl Beecham Uts.†	3,700	390	-1
Smiths Inds.	235	452	
Southern Elect.†	1,000	794	-1
South Wales Elect.	316	786	-3
South West Water	255	488	-3
South West. Elect.	43	771	-7
Southern Water	74	555	-1
Standard Chartd.†	968	284	+1
Storehouse	3,500	219	
Sun Alliance†	5,100	310	-13
T&N	5,400	160	-6
TI Group†	317	374	-2
TSB†	4,400	224	-6½
Tarmac	1,800	121	-1½
Tate & Lyle	859	418	-3
Taylor Woodrow	1,000	116	-1
Tesco†	6,600	241	-4
Thames Water†	1,500	490	+1
Thorn EMI†	307	994	-8
Tomkins†	2,100	217	-6
Trafalgar House	907	79	-1½
Unigate	832	335	-5
Unilever†	1,500	1114	-10
United Biscuits†	3,200	316	-1
Utd. Newspapers	396	499	-10
Vodafone†	9,100	200	-2½
Warburg (SG)†	446	653	-3
Wellcome†	2,300	864	-10
Welsh Water	184	629	-3
Wessex Water	680	267	-2½
Whitbread†	2,700	549¼	-4½
Williams Hldgs.†	592	350	-2
Willis Corroon	300	142	-1
Wimpey	581	131	-1
Wolseley†	430	748	-17
Yorkshire Elect.	995	735	+5
Yorkshire Water	659	513	+5
Zeneca†	1,500	837	-8

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
[illegible]			

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or -	1994 high	low	Mkt CapSm	Yld Gr's	P/E
ABN Amro Fl	£22¼	+⅛	£25⅝	£19[illegible]	6,767	5.0	♦
ANZ A$	193	-2	278½	177	2,508	6.3	♦
Abbey National †N	410	-9½	523	380½	5,379	4.7	13.8
Allied Irish I£ †N	260	+2	314	233	1,668	5.0	9.6
Anglo Irish I£	54xd	—	70	50	105.8	8.2	♦
Asahi Y	785½	+5⅝	869¼	628	17,085	0.6	♦
Banco Bil Viz Pta	£16¼	-⅛	£[illegible]	£14¼	3,889	5.0	7.5
Banco Sant Pta	£24⅝	—	*£30½	£23¾	3,721	5.8	8.6
Bk Ireland I£ †N	281xd	+3	*319	245	1,380	5.0	8.4
Bank Scotland †N	204xd	-3	247	172½	2,382	3.3	11.5
9¼pc Pf	113½	+¼	141½	106	113.5	10.2	-
9⅜pc Pf	115¼	+¼	148½	111¼	118.2	10.2	-
Barclays †N	589	-9½	640	487	9,783	3.5	18.5
Dai Ichi Kan Y	£11[illegible]	+¼	£12[illegible]	£10[illegible]	35,876	0.5	-
Deutsche DM	£300[illegible]	-1½	£344¼	£270[illegible]	14,346	2.2	-
Espirito Santo	£9⅝	—	*£23¼	£7⅝	184.2	4.4	4.3
First Nat Fin N	62½	-1	*98	60	105.5	3.9	-
6.3pc Cv Pf	72	—	*80	70	4.04	10.9	-
7pc Cv Pf	119	—	171	118	98.5	7.4	-
Fuji Bank Y	1312	-21½	1540¼	1152½	38,008	0.4	♦
HSBC HK †N	697	-18	1133	690	12,226	4.4	10.1
Irish Permanent	228	—	223	205	188.8	5.4	7.8
HSBC (75p Shs) †N	699	-18	1113	660	5,957	4.4	10.1
Lloyds †N	568½	-14	698	519	7,289	5.1	11.0
Mitsubishi Y	£14¾	+⅛	£16[illegible]	£13[illegible]	41,621	0.4	♦
Mits Tst & Bk Y	918¼	+24¼	1182¼	887½	10,958	0.6	14.4
Mitsui Tst & Bk Y	636	-13	879	514	7,657	0.9	21.3
Nat Aust A$	516	-3	629¼	472	6,907	7.0	♦
NatWest †N	514	-7	622	421	8,794	4.7	9.6
Ottomane FFr	£21½	—	£33	£21	107.5	6.6	♦
Ryl Bk Scotland †N	400	-20	528	377½	3,294	4.4	9.4
Sakura Y	£[illegible]	+⅛	£[illegible]	£[illegible]	20,691	0.6	52.8
Sanwa Y	£12⅝	+⅛	£15⅝	£11[illegible]	36,612	0.5	-
Standard Chartd †N	284	+1	*359¼	223	2,737	2.8	9.7
7 3/8pc Prf	98½	+¼	106½	82¼	98.5	10.2	-
Sumitomo Y	£11[illegible]	+⅛	£15⅝	£10[illegible]	35,615	0.5	24.5
Sumitomo Tst Y	847¼	+15	1148½	625	10,548	0.6	♦
TSB †N	224	-5½	261	197	3,420	4.5	11.3
Tokai Y	97⅞	-⅛	99	£[illegible]	15,961	0.7	48.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£13½	2,217	2.2	24.9
Barlow	♣	[illegible]	—	[illegible]	[illegible]	1,039	1.9	ϕ
Gold Flds Prop R		118xa	—	128	75	12.1	7.9	ϕ
NK Props		95	—	98	85	3.02	12.7	–
SASOL	♥	581	—	582	280	2,934	2.8	–
SA Brews	†	£15¾xd	—	£16⅝	£10	4,216	1.9	23.6
Tiger Oats		728	—	838	536	1,095	2.1	ϕ
Tongaat-Hulett	†h	725	—	*725	356¼	668.5	2.0	21.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♠ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Lazard Fund Mngrs (Channel Islands) Ltd
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LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar rises on evidence of strong economic data

The dollar continued its good showing on the foreign exchanges yesterday, buoyed by the expectation of further interest rate rises, *writes Philip Gawith.*

A raft of strong economic data on income, spending and prices lent fuel to those expecting the Federal Reserve to tighten policy again sooner rather than later.

The dollar rose to DM1.5770 in European trading, before falling back to close in London at DM1.5722, up from DM1.5703 on Wednesday. Against the yen it finished at Y99.34, up from Y98.95.

Sterling also had a good day, with the trade weighted index finishing at 80.4, from 80.2. The pound was little changed against the dollar, at $1.5672, but closed higher at DM2.4639, from DM2.4578, against the D-Mark.

Both US and UK interest rate futures have lost ground steadily this week, discounting ever higher interest rates.

Elsewhere the D-Mark remained fairly weak, with the prospect of a further cut in interest rates still not ruled out. Mr Helmut Schieber, a Bundesbank director, said on Wednesday that it was harder to foresee a situation where German rates could rise than one where they could fall.

The lira firmed to L1,028 against the D-Mark from L1,031 after a pensions deal between the government and unions saw a planned general strike called off.

The Australian and New Zealand dollars both continued their recent strength against the US dollar. The "Aussie" finished at 76.82 US cents, after breaking above 77 cents for the first time since March 1992 in Asian trading. The "Kiwi" closed at 63 US cents, a level not seen in five years.

■ The behaviour of eurodollar contracts in recent days and weeks tells the story of what markets are expecting for US interest rates. The futures curve is now discounting three month rates of 7 per cent in March, 40 basis points higher than the position at the beginning of the week.

While the prospect of higher interest rates is hitting the bond market, it appears to be supporting the dollar. For most of the year, the two markets traded in tandem.

Mr Ian Gunner, international economist at Chase Manhattan, commented: "Now that the interest rate environment is more credible, the dollar is looking forward to rate hikes."

Today the focus will be on November jobs data. A higher than expected outcome could prompt renewed speculation that the Fed might again decide to raise rates after its next policy meeting on December 20. "Whereas in the past that would have been negative for the dollar, I think it could be positive now," said Mr Gunner.

Mr Adrian Cunningham, senior currency economist at UBS in London, said there was a lot of interest to buy the dollar, although this was still limited mostly to short-term interbank traders.

Pointing out that the dollar had risen from DM1.5077 at the end of October, to around DM1.57 now, he said: "The market is coming to terms with the fact that the Fed is prepared to act if the economy is growing at an unsustainable rate."

Further evidence of Fed concern about the pace of growth came from Ms Cathy Minehan, president of the Boston Fed, who said that a tight economy could prompt price pressures. She added that the economy was "humming along", showing "very strong growth".

■ Sterling is also riding higher on the expectation of higher interest rates, buoyed too by the UK's sound economic fundamentals, underlined this week in the budget. It has also been helped by the possibility of German rates falling.

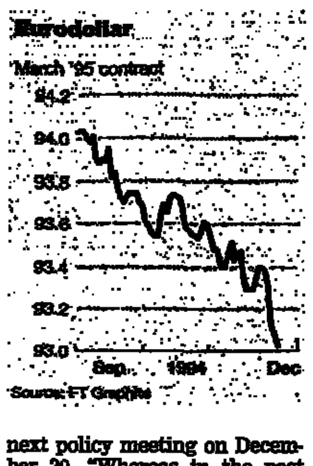
The March short sterling contract settled ten basis points lower at 92.82. Analysts said the market remained very nervous about the prospect of higher interest rates, with speculation that if rates did not rise by 50 basis points next month, a 75 basis point rise might be required early in the new year.

Although Mr John Major's government has shaken off some of its recent woes, analysts said that lingering political uncertainty would make it difficult for the pound to rise above DM2.47.

The Bank of England provided UK money markets with £415m of late assistance, and £123m at established rates, after forecasting a daily shortage of £650m. Three month LIBOR was unchanged at 6¼ per cent.

Eurodollar

March '95 contract



Source: FT Graphite

■ Pound in New York

Dec 1	—Latest—	– Prev. close –
£ spot	1.5650	1.5650
1 mth	1.5646	1.5645
3 mth	1.5646	1.5646
1 yr	1.5640	1.5641

■ OTHER CURRENCIES

Dec 1	£	$
Hungary	172.876 - 173.099	110.330 - 110.430
Iran	2731.00 - 2734.00	1749.00 - 1750.00
Kuwait	0.4690 - 0.4696	0.2993 - 0.2996
Poland	37840.6 - 37902.2	24150.9 - 24180.0
Russia	5104.40 - 5109.10	3257.00 - 3260.00
U.A.E.	5.7490 - 5.7606	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3435	+0.0368	362 - 507	17.3627	17.2795	17.3391	0.3	17.3278	0.4	-	-	115.0
Belgium	(BFr)	50.6527	+0.0827	203 - 851	50.6960	50.4960	50.6227	0.7	50.5327	0.9	50.0177	1.3	116.7
Denmark	(DKr)	9.6411	+0.0162	349 - 472	9.6477	9.6067	9.6423	-0.1	9.646	-0.2	9.6144	0.3	116.9
Finland	(FM)	7.6335	+0.0159	242 - 428	7.6860	7.5690	-	-	-	-	-	-	87.2
France	(FFr)	8.4476	+0.0177	446 - 504	8.4571	8.4175	8.4457	0.3	8.4356	0.6	8.3591	1.0	109.8
Germany	(DM)	2.4639	+0.0061	630 - 647	2.4668	2.4551	2.463	0.4	2.4586	0.9	2.4244	1.6	125.8
Greece	(Dr)	379.890	+1.225	660 - 119	380.325	378.597	-	-	-	-	-	-	-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.0665	+0.008	640 - 690	11.0690	11.0250	11.059	0.8	11.0425	0.9	10.945	1.1	104.3
Belgium	(BFr)	32.3205	+0.0105	060 - 350	32.3350	32.2350	32.293	1.0	32.2455	0.9	31.9505	1.1	105.9
Denmark	(DKr)	6.1518	+0.0023	490 - 545	6.1545	6.1314	6.149	0.5	6.1528	-0.1	6.1418	0.2	105.1
Finland	(FM)	4.8708	+0.0038	658 - 758	4.8817	4.8285	4.8661	1.2	4.8613	0.8	4.8493	0.4	81.9
France	(FFr)	5.3903	+0.0043	895 - 910	5.3910	5.3722	5.3873	0.7	5.3829	0.5	5.3398	0.9	108.1
Germany	(D)	1.5722	+0.0019	719 - 724	1.5724	1.5673	1.5712	0.8	1.5688	0.9	1.5487	1.5	106.8
Greece	(Dr)	242.400	+0.465	300 - 600	242.740	241.850	245.1	-13.4	249.85	-12.0	268.15	-10.6	68.3

-0.0007	505 - 509	3.7509	3.7505	3.7542	-1.1	3.7611	-1.1	3.7757	-0.7	-
+0.0005	640 - 650	1.4650	1.4630	1.463	1.3	1.4585	1.4	1.443	1.5	-
+0.0065	585 - 600	3.5600	3.5505	3.5748	-5.2	3.6069	-5.3	3.7718	-6.0	-
+0.048	500 - 700	4.1700	4.1200	4.188	-8.1	4.2325	-7.0	4.47	-7.5	-
-1.55	000 - 100	794.800	793.000	796.05	-4.5	799.55	-3.3	818.05	-3.2	-
+0.0275	920 - 990	26.2990	26.2580	26.3155	-0.9	26.3555	-0.9	-	-	-
-0.0045	400 - 600	25.0600	25.0400	25.0795	-1.4	25.1705	-1.9	25.575	-2.1	-

…in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market … UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 30. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.00	93.99	-0.01	94.01	93.98	375	7184
Mar	93.76	93.75	+0.02	93.77	93.73	700	8567
Jun	93.27	93.28	+0.02	93.28	93.27	100	4083
Sep	92.80	92.82	+0.03	92.82	92.80	11	2764

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 1 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 1 / Frs.)

[illegible]

DENMARK (Dec 1 / Kr)

[illegible]

FINLAND (Dec 1 / Mka)

[illegible]

FRANCE (Dec 1 / Frs)

[illegible]

GERMANY (Dec 1 / Dm.)

[illegible]

ITALY (Dec 1 / Lira)

[illegible]

NETHERLANDS (Dec 1 / Fls.)

[illegible]

NORWAY (Dec 1 / Kroner)

[illegible]

SPAIN (Dec 1 / Pta.)

[illegible]

SWEDEN (Dec 1 / Kronor)

[illegible]

SWITZERLAND (Dec 1 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 1 / Yen)

[illegible]

AUSTRALIA (Dec 1 / Aust$)

[illegible]

HONG KONG (Dec 1 / H.K.$)

[illegible]

MALAYSIA (Dec 1 / MYR)

[illegible]

SINGAPORE (Dec 1 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 1 / Cdn $)

4 pm close

[illegible]

MONTREAL (Dec 1 / Cdn $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 1 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 1, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.1m	374	-10	Sanyo Elec	2.9m	574	-6
Toshiba Corp	4.0m	701	+9	Hitachi	2.9m	975	-2
Sharp Corp	3.1m	1,680	-40	M'bishi Heavy	2.8m	738	+4
Yamanouchi Pharm	3.0m	2,000	+30	Itochu Corp	2.7m	707	-17
Sakura Bank	2.9m	1,350	+40	Matsushita	2.7m	1,540	+10

INDICES

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1980.0	1972.0	-15.0	2003.0	1972.0	26,116	33,140
Jan	1987.5	1979.5	-15.0	2015.0	1980.0	133	597
Mar	2008.0	1997.5	-15.5	2012.0	1998.0	75	7,471

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 30	Nov 29	Nov 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3739.23	3738.55	3739.58	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.12	93.78	93.61	105.61 (21/1)	93.61 (28/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1449.39	1442.22	1430.11	1862.29 (2/2)	1422.19 (23/11)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.54	179.41	179.54	227.06 (3/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3783.30 (3756.04) Low 3716.37 (3708.90) (Theoretical♦)
Day's high 3762.78 (3742.98) Low 3731.49 (3716.03) (Actual♦)

Standard and Poors	Nov 30	Nov 29	Nov 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	453.69	455.17	454.16	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	539.68	541.32	540.35	583.10 (28/10)	510.05 (21/4)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	41.04	41.31	41.08	48.94 (14/6)	39.87 (22/11)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	248.41	248.90	248.46	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.88	433.09	433.59	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	750.32	751.48	745.73	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 25	Nov 18	Nov 11	Year ago
Dow Jones Ind. Div. Yield	2.87	2.79	2.78	2.72
	Nov 30	Nov 23	Nov 16	Year ago
S & P Ind. Div. yield	2.46	2.48	2.38	2.40
S & P Ind. P/E ratio	18.42	18.29	19.03	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	453.95	453.60	-0.45	454.40	453.25	84,381	194,738
Mar	-	457.10	-	-	-	12,066	59,499
Jun	-	461.10	-	-	-	366	4,817

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	6,268,000	53	-1¼
Compaq	3,998,600	39¼	-1¼
Merck	3,745,100	37¼	----
Chrysler	3,559,000	48¾	+1
RJR Nabisco	3,541,200	6⅛	+⅛
Amer T & T	3,135,900	49¾	----
Santa Fe P	2,632,100	16¾	-⅛
Wal-Mart	2,584,300	23⅛	-⅛
Micron	2,475,700	41½	-⅝
Motorola	2,388,400	56¾	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Nov 30	Nov 29	Nov 28
New York SE	298.656	286.587	265.030
Amex	19.084	17.800	15.400
NASDAQ	301.048	277.124	214.213
NYSE			
Issues Traded	2,944	2,929	2,909
Rises	1,267	1,133	1,167
Falls	991	1,085	1,065
Unchanged	686	711	677
New Highs	23	9	4
New Lows	90	107	106

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	11⅞	AAR	0.48	3.7	23	48	13⅛	12⅞	13⅛	
18⅛	12⅝	A L Labs A	0.18	1.1	38	27	17¾	17⅛	17⅛	-⅛
79⅝	57⅝	AMP	1.68	2.3	22	1886	72¾	71⅝	71⅝	-⅝
72¾	48⅛	AMR			107	2417	51¼	50½	50⅝	-⅛
5	3⅞	ARX			12	85	3⅞	3¾	3¾	
58⅛	38⅝	ASA x	2.00	4.7	28	840	43⅝	42¾	43	-⅝
33	25⅛	AbbtL	0.76	2.4	17	5782	32	31½	31⅝	-¼
15¼	11⅜	AbtIdl Pr	0.50	4.0	11	2042	12⅞	12⅝	12⅝	-¼
23⅝	17¾	ABM Ind	0.52	2.5	19	28	20¾	20⅝	20¾	
18	11⅛	Acptncein			10	148	14½	13⅝	13⅞	-½
31	20¾	ACE Ltd	0.44	2.0	21	205	22	21¼	22	+⅛
12½	9	ACM Gvt In	1.09	11.4	8	321	9⅝	9½	9⅝	
10⅛	6⅞	ACM GvOpp	0.80	10.8		222	7½	7⅜	7⅜	-⅛
10⅝	6¾	ACM Gvt Sp	0.96	12.8		474	7⅝	7⅜	7½	+⅛
12	7⅝	ACM Gvt Se	1.09	12.6		378	8¾	8⅝	8¾	+⅛
11¼	7⅜	ACM Man	1.08	12.7		117	8½	8⅜	8½	+⅛
9¾	8	ACM Managd	0.72	8.7		134	8⅝	8¼	8¼	
15½	8¾	AcmeCv	0.44	4.0	22	20	10⅞	10¾	10⅞	
18⅞	6½	Acme Elect			13	161	13½	13	13⅜	
29⅛	23	Acordia x	0.60	2.1	15	67	u29⅞	29⅛	29¼	+⅛
13¾	8¾	Acuson	0.36	3.6	2	118	9⅞	9¾	9⅞	
[illegible]										

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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NYSE COMPOSITE PRICES

4 pm close December 1

Continued from previous page

- X - Y - Z -

112¾	87¾	Xerox x	3.00	3.1	58	3002	99	98¼	98¼	-2
53¼	40	Xtra Corp x	0.56	1.3	12	952	42½	42	42⅛	-⅛
25½	20	Yankee Egy	1.22	5.6	11	12	21¾	21⅝	21⅝	
42½	33⅞	York Int	0.16	0.4	15	1967	36¼	35⅝	36⅛	+½
5½	1	Zapata	0.14	3.6	12	105	4	3⅞	3⅞	-⅛
14⅛	7	ZnthEl			9	1047	12⅞	12⅛	12¼	
27⅞	20⅝	Zenith Nat	1.00	4.6	10	80	21⅞	21½	21⅞	+¼
7⅞	6½	Zenix Inc	0.83	12.7		169	6¾	d6½	6½	-¼
16⅛	11⅝	Zero	0.40	3.0	15	141	13⅜	12¾	13⅜	+¼
29¾	16⅞	Zurn Ind	0.88	5.1	579	282	17⅞	d16⅝	17⅞	-⅛
13⅜	10¼	Zweig Fund	1.08	10.5		206	10½	d10¼	10¼	-⅛
10¾	7⅞	Zweig Total	0.84	10.2		711	8¼	8⅛	8¼	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close December 1

NASDAQ NATIONAL MARKET

4 pm close December 1

AMERICA

Further signs of growth depress Dow

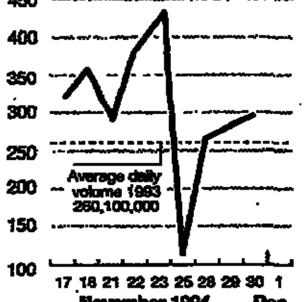
Wall Street

US share prices followed a declining bond market after economic data gave further indications of continued economic growth, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was down 23.89 at 3,715.34. The Standard & Poor's 500 fell 2.96 at 450.73, while the American Stock Exchange composite dropped 1.64 at 432.22. The Nasdaq composite fell 6.04 at 744.28. Trading volume on the NYSE was 149m shares.

The National Association of Purchasing Managers reported its index of economic activity for November at 61.2 per cent, the highest level for more than 10 years. Any reading higher than 50 per cent generally implies an expanding manufacturing sector.

NYSE volume



Mr Ralph Kauffman, the NAPM's chairman, attributed the first decrease in the price index to seasonal factors. In general, he saw continued economic expansion.

While not considered as important as the NAPM figures, several other pieces of economic data released yesterday added to worries about advancing inflation. Personal income in October jumped to 1.4 per cent from 0.6 per cent in September. That was the largest increase in income since February. Construction spending also rose beyond economists' expectations, growing 0.9 per cent in October.

Such signs of inflationary pressures have worried the market because they add to fears that the Federal Reserve would tighten monetary policy again.

The Nasdaq, where high technology issues make up approximately 10 per cent of the market capitalisation, was pulled down further than the other indices by continued market worries about a possible flaw in the Pentium computer chip designed by Intel. The Nasdaq composite fell 0.8 per cent, compared with a 0.5 per cent decrease in the Dow. Dell Computer fell $2□ [illegible] at $40¼ and Gateway 2000 was down $1⅞ at $20¾ after securities house CS First Boston lowered its ratings as both companies prepared to deal with consumer concerns about the Intel chip in some computers. Intel, which also trades on Nasdaq, fell $⅝ at $62⅞.

Several NYSE-traded high technology companies also declined. IBM fell $⅝ at $70⅞. Digital Equipment was down $1⅝ at $32⅞ and Compaq Computer declined $⅝ at $38⅜. Hewlett-Packard lost $1⅝ at $96⅝ on news that it would reduce the price of several of its desktop computers.

Shares in Chrysler gained $¼ at $48⅝ after announcing that it would increase its quarterly dividend by 60 per cent to 40 cents. The company's largest shareholder has been pushing for such a move.

The nation's two largest publicly traded health maintenance organisations fell after a negative report on a private low cost health provider, Kaiser Permanente. US Healthcare lost $¼ at $44½ and United Healthcare fell $⅝ at $47⅞.

Chemical Bank bucked the downward trend after the New York-based bank announced it would undertake a cost-cutting plan. The shares rose $⅝ at $36⅞.

Canada

Toronto drifted lower in cautious midday trading as financial markets awaited today's key US employment data.

Losses in communications, conglomerates and financial services outweighed gains led by gold and mining issues.

The TSE-300 index edged down 4.95 to 4,089.46 in heavy volume of 34.53m shares.

Placer Dome was the market's most heavily-traded gold stock, steady at C$25⅝.

Magna International class A was steady at C$46¼ after the automotive parts manufacturer posted record first quarter earnings.

Brazil

Shares in São Paulo were up 2.2 per cent in early trade as investors shrugged off reports that president-elect Fernando Henrique Cardoso had not confirmed that he had chosen Pedro Malan of the central bank to be the country's new economy minister.

The Bovespa index was up 1,021 at 47,581 by 1 pm in turnover of R$170.2m ($200.1m).

Brokers said that the market was also bullish after the National Development Bank raised R$33.2m through a successful sale of Banco do Brasil and Petrobras shares.

Telebras preferred rose 2.7 per cent to R$41.60 and Eletrobras preferred surged 4.8 per cent to R$307.

EUROPE

Holderbank turns higher after anti-cartel fines

Further action was seen among cement shares in response to European Union anti-cartel fines. Switzerland's Holderbank jumped SFr16 to SFr1,045, off a high of SFr1,070, in reply to a much lower than expected penalty.

The company, which is to appeal, has said the fine would have no bearing on its forecast for 1994 profits, which calls for a 37 per cent rise to SFr600m.

In France, Lafarge Coppée dropped FFr14.30 to FFr398.80 amid profit-taking after Wednesday's 4 per cent advance. The company said the fine would not change its 1994 outlook. Ciments Français gave up FFr8.30 to FFr157.90, and said it would make provision for the fine in its account.

Italy's Italcementi, which has a controlling interest in Ciments Français and which tumbled 1.7 per cent on Wednesday, rallied L274 to L10,569.

Italmobiliare, its parent, was L820 higher at L34,500.

MILAN moved ahead 1.2 per cent on the back of the agreement between the government and unions on pension reform that lifted the threat of a general strike today. Volume, at below L400bn, remained thin, however, amid worries that the accord offered no guarantees that promised reforms would be carried out and that tough decisions had only been postponed. The Comit index rose 7.17 to 632.89.

Credito Italiano appreciated L40 to L1,628 as speculation grew that it would price its new offer for Credito Romagnolo at around L20,000 a share, below previous estimates of L21,000 to L23,000. Romagnolo retreated L295 to L17,369.

AMSTERDAM was slightly weaker, the AEX index slipping 1.22 to 408.18.

In a major review of the market, Smith New Court noted that after two years of outperformance of cyclicals, the market had been rotating towards defensive, financial and growth stocks. "A more selective attitude towards cyclicals as well as increased emphasis on growth stocks is recommended in an environment of continued low interest rates."

Looking forward the broker noted that while there was pressure on cyclicals it recommended an exposure to those which were least affected by the inability to pass on raw material and commodity price increases and whose earnings growth was least likely to surprise on the downside.

These would fall into two categories, said Smith New Court: companies benefiting from rising commodity prices, such as Hoogovens and DSM, and those where the large proportion of the expected improvement in earnings was driven by factors such as cost cutting, for instance Hoogovens, DSM and KLM.

FRANKFURT ended an uninspired session with a slight loss, which widened fractionally in post-bourse trading. The Dax dipped 1.67 to 2,046.59, and to 2,045.54 in the Ibis.

Turnover reflected the lack of interest, a scant DM4.6bn.

Reviewing the market's performance during November, Mr Eckhard Frahm of Merck Finck commented that hopes for a year-end rally now looked improbable, with sentiment getting worse. The Dax index fell just over 1 per cent on the month and is down nearly 10 per cent since January.

Interest rate-sensitive stocks showed relative strength during both October and November, he added.

Among those stocks yesterday, Commerzbank was ahead DM2.50 at DM326.30 and Deutsche Bank DM2.50 higher at DM743.50.

ZURICH was lower in very quiet trade, lacking fresh factors to trade on, and the SMI index fell 18.9 to 2,576.0.

SMH bearers lost SFr8 at SFr628, after a session's low of SFr612, continuing a slide prompted by a flurry of downward revisions of earnings forecasts by analysts who doubted that Christmas sales could compensate for negative currency effects.

The stock has fallen by 12.3 per cent over the last fortnight, prompting some analysts to put the shares on hold, viewing the decline as excessive.

PARIS saw slippage and the CAC-40 index ended down 11.99 at 1,963.95. Turnover was light at just under FFr3.8bn.

It was difficult to discern any particular themes, although the retailing sector showed a mixed response to disappointing November sales data: Carrefour rose FFr32 to FFr2,270, while Casino was off FFr5.90 at FFr158.60.

MADRID edged lower as losses elsewhere in Europe brought out sellers. The general index closed 1.03 easier at 300.53.

Santander Investment commented that Spanish stocks should thrive next year on expectations of good earnings and relatively stable long-term interest rates, and forecast that the general index was likely to climb to between 350 and 360 by the end of 1995.

It said smaller cyclical stocks and consumer related shares would outperform the market in 1995, the former helped by expected strong growth in exports of goods and services.

ISTANBUL finished at a third consecutive 11-month high in spite of profit-taking which erased most of the morning gains. Volume of TL6,690bn was a new record high.

The composite index finished 246.2 or 0.9 per cent stronger at 28,427.24, taking gains over the last week to 6.5 per cent.

Ms Nur Pekin, Turkish analyst at Schroders, said that the recent strength in the market, mainly during the past two weeks, had been the result of two factors: speculation by investors on publicly owned companies which could be privatised, and a reduction in interest rates which had caused a flight of capital into equities.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Dec 1 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1346.12	1345.13	1344.83	1344.18	1345.01	1346.25	1346.32	1344.45
FT-SE Eurotrack 200	1397.25	1396.01	1394.27	1394.33	1395.31	1395.81	1396.60	1393.94

	Nov 30	Nov 29	Nov 28	Nov 25	Nov 24
FT-SE Eurotrack 100	1341.95	1333.87	1335.02	1328.77	1329.85
FT-SE Eurotrack 200	1397.14	1389.44	1387.54	1380.81	1383.40

Base 1000 (26/10/90); High/day: 100 - 1348.45; 200 - 1397.76 Low/day: 100 - 1342.27 200 - 1393.22 † Partial

ASIA PACIFIC

Arbitrage unwinding reverses Nikkei's recent uptrend

Tokyo

Arbitrage unwinding hurt share prices, and the Nikkei 225 average closed lower for the first time in four trading days in spite of buying by banks and dealers, *writes Emiko Terazono in Tokyo.*

The index was down 62.02 at 19,013.60 after fluctuating between 18,961.79 and 19,111.42. The market fell below the 19,000 level in the morning due to arbitrage unwinding triggered by a decline in futures. Financial institutions supported the index, but failed to counter continued futures-linked selling.

Volume contracted to 270m shares from 335m. The Topix index of all first section stocks slipped 1.21 to 1,519.20, and the Nikkei 300 edged down 0.34 to 279.74. Losers led gainers by 543 to 482, with 164 issues unchanged. But in London the ISE/Nikkei 50 index was 2.25 firmer at 1,256.19.

Brokers and corporate investors were also buying in small lots. Overseas investors, who have been liquidating holdings in steels and shipbuilders, continued their sales but traders noted that they were purchasing banks and car shares.

Traders expect arbitrage unwinding to continue through to the December 9 futures settlement. However, the outstanding level of unsettled arbitrage positions has declined to 690m shares, alleviating fears of a sharp drop in cash prices ahead of the settlement day.

The steels sector, reflecting the foreign selling, had Nippon Steel, the day's most active issue, Y10 cheaper at Y374 and NKK Y6 weaker at Y267. Airlines were lower on profit-taking, All Nippon Airways shedding Y20 to Y1,090 and Japan Airlines Y10 to Y720.

Banking stocks were higher on position-covering. Dai-Ichi Kangyo Bank put on Y40 at Y1,800 and Mitsubishi Bank Y50 at Y2,260.

Toshiba rose Y9 to Y701 on buying by investment trust funds. Other electricals eased on profit-taking, Sanyo Electric losing Y6 at Y574 and Hitachi Y2 at Y975.

Privatisation issues were weak, with Japan Tobacco off Y3,000 at Y960,000 and Nippon Telegraph and Telephone losing Y5,000 at Y835,000.

In Osaka, the OSE average was up a slight 0.67 at 21,179.01 in volume of 18m shares after profit-taking eroded earlier gains. But Nintendo, the video game maker, ended Y290 stronger at Y5,680 and Ono Pharmaceutical Y120 ahead at Y4,840.

Roundup

Regional markets moved in divergent directions.

KUALA LUMPUR saw a steady stream of selling triggered by a spate of bearish market rumours, ranging from programme selling, the redemption of shares by foreign investors and a private placement of shares. The composite index closed 27.00 or 2.7 per cent down at 986.13.

Losers included Tenaga and Telekom, which receded 50 cents to M$10.50 and 40 cents to M$18.40 respectively.

Among the day's gainers were shares that were added to the Morgan Stanley Capital International index. Ekran advanced 25 cents to M$9.15 and Mycom moved up 22 cents to M$4.80.

SINGAPORE was dragged lower by the fall in Malaysia and on light programme selling by Hong Kong institutions.

The Straits Times Industrial index lost 12.74 at 2,229.35, off the day's high of 2,246.21.

Brokers commented that Malaysian shares traded over the counter faced fresh turbulence, driven by renewed rumours of growing dissent in the ruling Malay party, UMNO.

MANILA fell 1.7 per cent on the continued weakness of overseas markets and news that an oil well in the south was not commercially viable.

The composite index slipped 45.83 to 2,645.36 in volume of 5.5m shares worth 1.3bn pesos.

The announcement of 5.9 per cent third-quarter growth came too late to affect the day's trading.

Selling in oil stocks was brought about by an announcement from the local division of Occidental Petroleum that it planned to abandon its Bantac-1 well.

SEOUL lost ground in hectic trading after aggressive institutional profit-taking took its toll, in spite of active foreign buying of blue chips as the authorities raised the ceiling of foreign ownership of shares by 2 percentage points to 12 per cent. The composite index was finally off 8.20 at 1,066.21.

The Securities Supervisory Board official said foreign investors bought their traditional favourites – blue chips and shares with low price/earnings ratios – to their permitted new limit in early trading.

As a result, local investment trusts sought to materialise recent gains in their holdings of the blue chips.

Both Korea Mobile Telecom and Samsung Electronics went limit down, losing Won12,000 and Won3,000 to Won499,000 and Won123,400 respectively.

HONG KONG was modestly lower after a solid technical rebound in the morning evaporated in late trade on declining index futures.

The Hang Seng index fell 35.46 to close at 8,430.80 after jumping to a day's high of 8,555.26. Turnover dropped to HK$3.0bn from Wednesday's HK$4.3bn.

Property issues were the hardest hit, with Henderson Land slipping HK$1.10 to HK$40.50, Cheung Kong 40 cents to HK$31.80 and Sun Hung Kai Properties 20 cents to HK$49.50.

SYDNEY ended higher after recouping earlier losses, led by a recovery in futures and a gain for BHP. The All Ordinaries index rose 9.7 to 1,900.4, its best for the day and well off its low of 1,881.2. Trade was moderately active, with stock valued at A$434m changing hands.

The futures contract was up 14 at 1,904, just below its high for the day of 1,905.

Brokers said that trade was moderate overall, with turnover boosted by a portfolio transaction of more than A$60m handled by County NatWest Securities. BHP finished at A$19.06, up 38 cents and well off its low of A$18.62.

BTR Nylex added 4 cents at A$2.44 following news of a debt for equity swap and the appointment of a new chief executive.

News Corp weakened 7 cents to A$5.15 on nervousness over possible moves by the US FCC on a challenge to its ownership of the Fox network.

TAIPEI added 1.3 per cent in modest trade, with rises mainly in state-run banks boosted by buying from the ruling Nationalist party's investment divisions ahead of tomorrow's elections.

The weighted index gained 80.33 at 6,444.05, after a 6,471.41 high. Turnover was T$42.74bn.

Financials, especially state-run banks, led the gains, with Farmers Bank climbing by its daily 7 per cent limit to T$58.

Textiles moved ahead on polyester filament and nylon filament price rises, with China Manmade closing limit up at T$37.30 and Hualon 90 cents higher at T$24.

BANGKOK rose on buying of finance stocks led by local funds. The SET index was 9.16 ahead at 1,371.60 after touching 1,380.73. Turnover amounted to Bt7.3bn, compared with Bt3.99bn on Wednesday.

Plastic bag and straw maker Thantawan, which made its debut, closed at Bt73.50 after peaking at Bt75.

The inflated volume was attributed to trading of the new listing and large-lot trading in shares of New Imperial Hotel worth a total of Bt2.3bn because of a change in ownership.

The finance sector was the biggest gainer and the most active, strengthening 2.84 per cent on Bt1.3bn turnover.

Bullion pressures golds

Gold bullion's late decline past $380 an ounce sparked further losses for related Johannesburg shares, and only financial stocks managed to post significant gains after good results recently and steady prospects for the sector.

The overall index finished 10.9 lower at 5,745.4, industrials were 8.8 better at 6,907.2 and golds fell 45.6 or 2.3 per cent to 1,928.5.

Some traders said golds were oversold after recent hefty losses, but needed a spark in the bullion price to bounce from current levels.

A slight easing in the financial rand late in the day offered some support, with diamond leader De Beers managing to advance over the day for the first time in a week.

De Beers ended 25 cents firmer at R90, Anglos was R1 weaker at R230 and Gencor slipped 30 cents to R14.15. Sappi managed a strong R1.25 rise to R70.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 30 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 29 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.45	0.4	158.61	104.74	136.71	144.92	-0.2	3.96	166.79	157.72	104.06	135.38	145.17	189.15	149.36	150.12
Austria (16)	178.46	0.1	169.06	111.63	145.70	145.73	0.7	1.11	178.24	168.54	111.20	144.67	144.72	196.89	167.46	172.46
Belgium (35)	167.71	-0.1	158.85	104.90	136.91	133.63	0.5	4.13	167.94	158.80	104.77	136.31	133.01	177.04	152.74	152.74
Brazil (28)	174.08	0.1	164.89	108.88	142.11	270.91	-0.6	0.78	173.97	164.51	108.53	141.20	272.52	–	–	–
Canada (103)	127.63	-0.1	120.90	79.83	104.20	127.12	-0.3	2.70	127.75	120.80	79.70	103.69	127.51	145.31	120.54	130.94
Denmark (33)	244.62	0.0	231.71	153.01	199.70	204.60	0.5	1.45	244.64	231.33	152.62	198.56	203.54	275.79	232.16	232.25
Finland (24)	178.44	-0.2	169.02	111.61	145.67	182.26	0.5	0.77	178.84	169.11	111.57	145.16	181.30	201.41	116.85	117.97
France (102)	169.05	1.0	160.13	105.74	138.01	142.82	1.5	3.00	167.43	158.32	104.45	135.89	140.71	185.37	159.34	162.15
Germany (58)	137.95	-0.4	130.67	86.29	112.62	112.62	0.2	1.84	138.47	130.94	86.39	112.39	112.39	150.40	128.37	130.51
Hong Kong (56)	337.62	-2.2	319.81	211.18	275.64	335.23	-2.2	3.69	346.34	328.55	215.45	280.30	342.86	506.56	337.62	373.49
Ireland (14)	199.30	-0.6	188.79	124.66	162.71	182.98	-0.1	3.49	200.57	189.66	125.13	162.79	183.21	216.60	176.37	176.37
Italy (59)	73.70	-0.8	69.81	46.10	60.17	69.07	-0.3	1.77	74.31	70.27	46.36	60.32	69.35	97.78	60.17	60.62
Japan (468)	154.74	1.0	146.57	96.79	126.33	96.79	1.2	0.79	153.25	144.92	95.61	124.39	95.61	170.10	127.11	127.11
Malaysia (97)	498.06	0.6	471.78	311.53	406.62	490.39	0.6	1.79	495.23	468.29	308.96	401.96	487.37	621.68	430.71	480.96
Mexico (18)	2125.20	0.1	2013.03	1329.26	1734.96	7986.15	0.0	1.28	2124.08	2008.48	1325.12	1723.98	7984.18	2647.08	1698.28	2075.92
Netherland (19)	211.13	0.2	199.99	132.06	172.37	169.49	0.8	3.41	210.70	199.24	131.45	171.02	168.17	223.30	189.07	189.07
New Zealand (14)	73.12	0.1	69.26	45.74	59.70	61.86	-0.6	4.73	73.07	69.10	45.59	59.31	62.20	77.59	61.27	61.27
Norway (23)	200.53	2.1	189.95	125.43	163.71	185.92	2.5	1.78	196.48	185.77	122.58	159.46	181.41	211.74	168.11	168.59
Singapore (44)	371.70	0.0	352.08	232.49	303.46	250.77	0.2	1.71	371.67	351.45	231.87	301.67	250.35	401.38	294.68	310.64
South Africa (59)	327.54	1.0	310.26	204.87	267.40	294.38	0.1	2.19	324.25	306.61	202.29	263.18	294.11	342.00	205.55	216.53
Spain (36)	140.05	0.1	132.66	87.60	114.33	139.06	0.7	4.11	139.93	132.31	87.30	113.57	138.10	155.79	128.88	128.88
Sweden (36)	234.75	0.1	222.36	146.83	191.65	261.91	0.4	1.53	234.47	221.71	146.28	190.31	260.83	242.81	177.79	177.79
Switzerland (47)	160.65	-0.2	152.18	100.49	131.15	132.32	0.4	1.84	160.90	152.15	100.38	130.60	131.74	176.56	147.30	147.30
Thailand (46)	160.92	0.9	152.43	100.65	131.38	156.48	1.0	2.35	159.43	150.76	99.46	129.40	154.91	–	–	–
United Kingdom (204)	195.73	0.4	185.40	122.42	159.79	185.40	0.6	4.15	194.93	184.32	121.61	158.22	184.32	214.96	181.11	190.35
USA (513)	185.66	-0.3	175.86	116.12	151.56	185.66	-0.3	2.95	186.25	176.11	116.19	151.17	186.26	196.04	178.95	187.99
Americas (662)	173.73	-0.3	164.56	108.66	141.83	144.45	-0.3	2.87	174.24	164.76	108.70	141.42	144.91	–	–	–
Europe (708)	168.40	0.2	159.51	105.33	137.48	151.09	0.6	3.10	168.07	158.92	104.85	136.41	150.17	176.58	157.21	157.21
Nordic (116)	222.48	0.2	210.74	139.15	181.63	211.86	0.6	1.40	222.13	210.05	138.58	180.29	210.63	233.91	174.86	174.86
Pacific Basin (793)	162.71	0.7	154.12	101.77	132.83	106.21	0.9	1.17	161.52	152.74	100.77	131.10	105.23	176.86	137.30	137.30
Euro-Pacific (1501)	164.99	0.5	156.28	103.20	134.70	123.90	0.8	2.00	164.17	155.24	102.42	133.25	122.93	175.14	146.43	145.49
North America (616)	182.06	-0.3	172.45	113.87	148.63	181.63	-0.3	2.84	182.62	172.68	113.93	148.22	182.21	192.73	175.67	184.45
Europe Ex. UK (504)	150.16	0.1	142.23	93.92	122.59	130.75	0.6	2.48	150.04	141.88	93.61	121.78	129.93	158.12	136.58	136.58
Pacific Ex. Japan (325)	241.58	-0.5	228.83	151.11	197.23	212.23	-0.6	3.14	242.78	229.57	151.46	197.06	213.59	296.21	232.59	234.70
World Ex. US (1709)	166.67	0.5	158.06	104.37	136.23	127.57	0.7	2.00	166.06	157.02	103.60	134.78	126.66	176.65	147.04	147.04
World Ex. UK (2018)	169.81	0.2	160.84	106.21	138.63	141.53	0.3	2.14	169.49	160.27	105.74	137.57	141.05	178.59	156.83	156.83
World Ex. Japan (1754)	183.23	-0.1	173.56	114.61	149.59	174.22	0.0	2.97	183.42	173.44	114.43	148.87	174.21	195.20	176.34	178.43
The World Index (2222)	172.09	0.2	163.01	107.64	140.49	145.47	0.4	2.34	171.74	162.39	107.14	139.39	144.95	180.60	159.76	159.76

Please note: Amendments to indices 30/11/94 applied to Italy, related regional indices and The World Index. Constituent change with effect 7/12/94: Addition McKesson Corp. (New) (USA). Latest prices were unavailable for this edition.

مكرر من الاصل